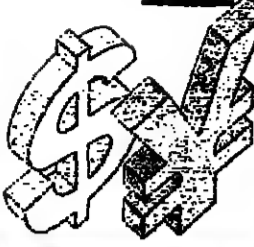


FINANCIAL TIMES

Handwritten note: 15/10/1996



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Regional tension threatens aid
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Space technology
Spin-offs and spin-ons
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World Business Newspaper

THURSDAY MAY 16 1996

Dole quits Senate to concentrate on presidential race

Senator Bob Dole yesterday took the extreme step of resigning his seat in Congress to attempt to revive his flagging national campaign for the US presidency. The president-elect candidate, trailing President Bill Clinton by an average of 20 points in public opinion polls, advised Senate colleagues of his decision just before an afternoon press conference. It was not immediately clear when he would officially leave the Senate. Page 12: Dole cranks up troubled campaign, Page 7

Sony sales up 15% Japanese consumer electronics and entertainment group Sony signalled a firm comeback by reporting a 15 per cent rise in consolidated sales for the year to March. Sony posted pre-tax profits of ¥133.2bn (\$1.3bn), a turnaround from last year's ¥20.9bn loss after the goodwill write-off in its Hollywood film business. However, profits were only about half the ¥270.7bn posted in 1991. Page 13

UK urged to extend Eurotunnel franchise: French president Jacques Chirac urged the UK to extend Eurotunnel's franchise to operate the Channel tunnel by up to 30 years to bail out the company's beleaguered shareholders. Page 12

Indonesia hostages rescued: Indonesian soldiers rescued six western and three Indonesian hostages held by separatist rebels for more than four months in the remote Irian Jaya province. The rebels are still holding two other captives.

'Kashmir captives dead': Four western hostages kidnapped by Kashmiri Al Faran separatists last July were killed by their captors in December, Indian government sources confirmed. The bodies of the hostages - two Britons, a German and an American - had not yet been found but the killings were admitted by a militant under police interrogation, the official said.

Yeltsin considers coalition idea: President Boris Yeltsin is considering forming a broadly based government of national unity to help heal the rifts in Russian society. Page 2

Estée Lauder, the US cosmetics group, is expected shortly to announce plans to produce women's and men's perfumes for Prada, the Italian family firm which has become one of the hottest fashion houses of the 1990s. Page 13

Murdoch quits race for World Cup rights: Rupert Murdoch's News Corporation pulled out of the multi-billion dollar bidding for global broadcasting rights to the World Cup soccer finals in 2002 and 2006. Page 5

Sharp rise in Japanese shares: The Bank of Japan moved to reassure financial markets that its monetary policy remained unchanged, helping to spur a sharp increase in share prices and a rise in the dollar against the yen. Page 6; Dangerous paradox of Japanese power, Page 10; Lex, Page 12

Canada acts on Quebec independence: Canada's Liberal government aims to regain the initiative in the debate over Quebec independence with a series of moves designed to remind the French-speaking province that secession is likely to be neither smooth nor painless. Page 7

Boost for emerging economies: Private capital flows to the world's largest emerging economies reached a record \$300.7bn last year, according to figures from the Institute of International Finance. Page 5

Germany scales back revenue forecasts: The Bonn finance ministry sharply scaled back its expectations of tax revenues for federal, state and local authorities between now and 2000 after a report indicated the German economy probably contracted in the first quarter of this year. Page 2

France Télécom profits slip: France Télécom reported full year net profits down 7.3 per cent to 79.2bn (\$1.77bn) as it announced what will probably be the last set of annual results before partial privatisation. Page 14

Record price for Bach manuscript: An original Johann Sebastian Bach manuscript of his Cantata No 2, written in 1708 and signed by the composer himself, was sold for a record \$956,500 (\$755,000) at Sotheby's auction house in London.

We regret that because of technical problems, some data on the Managed Funds pages may be pre-closed.

STOCK MARKET INDICES		GOLD	
New York Composite	(427.70)	New York Comex	366.5 (362.8)
Dow Jones Ind Av	5,622.42	London	332.70 (332.05)
NASDAQ Composite	1,241.35	London	332.70 (332.05)
Europe and Far East			
DAX	2,124.64 (62.59)		
FTSE 100	3,772.52 (61.52)		
Nikkei	22,653.97 (754.52)		
US LUNDSHIRE RATES		DOLLAR	
Federal Funds	5 1/2%	New York Composite	1,513
3-month T-bill	5.114%	DM	1,322.15
Long Bond	8 1/2%	FF	1,167.6
Yield	5.839%	SP	1,225.5
OTHER RATES		Y	108.786
UK 3-mo Interbank	6 1/2%		
US 10 yr Gilt	6 1/2%		
France 10 yr OAT	105.82		
Germany 10 yr Bund	98.56		
Japan 10 yr JGB	97.8159		
NORTH SEA OIL (Argonne)		STERLING	
Brent Blend	\$18.41 (18.59)	DM	2,321.2 (2,320.7)
Oil close		Yokyo close	¥105.90

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Big fall in EU economic growth

Brussels says many members will still qualify for Emu

The European Commission yesterday reported a sharp downturn in economic growth in the European Union, but insisted that a significant number of its 15 members could still qualify for economic and monetary union in 1999. The Commission has slashed its growth projections for the 15 member states this year by more than 1 percentage point to 1.5 per cent. It projects growth for 1997 of 2.4 per cent, or half a percentage point down on its previous estimate.

France, the Netherlands and Finland were expected in 1997 to join Denmark, Ireland and Luxembourg in successfully cutting their budget deficits below 3 per cent of GDP. Austria and Sweden were expected to come very close, while Belgium, Spain, Portugal and the UK could be within 1/2 of a percentage point of the benchmark. Mr Helmut Kohl, Germany's chancellor, who visited the Commission shortly before the report was issued, said he opposed any relaxation of the criteria - covering debt, deficits, inflation, and exchange rate stability - by

which candidates for Emu will be selected in 1998. "I'm strongly against changing the convergence criteria," he said. "Without these strict yardsticks, the efforts at economic consolidation will not be successful." However, Mr Kohl stopped well short of endorsing the Commission's optimistic forecast that a significant number of countries would reach or nearly reach the requirement of a public deficit below 3 per cent of GDP. "When we take the decision, it should be done at the right time and within the rules of the treaty," he said, referring to the 1992 decision on who should join

Emu. The Commission's economic policy guidelines, while calling for a social dialogue with the trade unions, also warned that Emu could be threatened if EU members gave in to social pressures. "If progress towards sounder public finances and structural reform were to be hampered by rising social and political resistance, this... might add to doubts among some observers as to whether a sufficient number of member states would be ready to participate in Emu at the starting date," he said.

Sun shines on economy, Page 2

Hindu nationalist party faces struggle to secure majority before deadline

Leader of BJP asked to form government

Mr Atal Behari Vajpayee, leader of India's Hindu nationalist Bharatiya Janata Party, will be sworn in as interim prime minister at noon in New Delhi today. Mr Shankar Dayal Sharma, the state president, has given Mr Vajpayee until May 31 to prove he has the backing of a majority in parliament. The BJP and its allies have not been able to secure a majority, and a coalition of secular and regional parties is attempting to block them.



BJP leader Atal Behari Vajpayee meeting the media in New Delhi yesterday

Following parliamentary convention, Mr Vajpayee, as leader of the biggest party to emerge from India's 11th general election, was offered the first chance to form an administration. "We accept this as a challenge," Mr L.K. Advani, BJP president, said last night. "We are confident we will be able to prove our majority in the house by May 31." Mr Vajpayee said: "We did not get a true majority, but the mandate has been against the Congress party. Other political parties have failed to earn the people's confidence; the mandate has been, by and large, in favour of the BJP."

Mr Vajpayee said there would be no "horse-trading" to win a majority, but the party faces tough bargaining to win support. BJP officials said they would seek to entice regional parties to join them by offering law changes to make it harder for the central government to dismiss state administrations and to increase the share of taxes given to states.

Italian magistrates act against Fininvest chiefs

Home Office for transfer to Italy. It would defend itself against any charges.

Anti-corruption magistrates in Milan issued arrest warrants yesterday for seven senior members of the Fininvest business empire of Mr Silvio Berlusconi, the former Italian prime minister, for alleged falsification of accounts from 1988 to 1995. The move, after a period of apparent truce during last month's Italian general election campaign, signalled an important new threat to Mr Berlusconi, as Milan magistrates believed they had acquired new evidence regarding the alleged illicit use of funds by Fininvest's foreign subsidiaries.

Mr Berlusconi is currently standing trial for allegedly being party to bribes paid to the Guardia di Finanza (financial police) to ensure benign tax inspections of Fininvest companies' accounts. With the advent of a centre-left government in Italy, there have been suggestions that all the parties will seek to find a solution to the serious problems raised by the four-year-old corruption scandals. However, political commentators said yesterday that if Mr Berlusconi became more deeply implicated by the latest investigations, it would complicate the idea of any amnesty.

It would also raise further serious questions about Mr Berlusconi's political future and the fate of his Forza Italia movement. Three arrest warrants were issued yesterday against people in Monte Carlo, including Mr Livio Giromi, a former Fininvest finance manager and currently a board member and adviser, and Mr Mario Morazzoni, a former group treasurer. Extradition proceedings are expected to proceed shortly. Until now the Monte Carlo authorities have shown limited co-operation with Milan magistrates on corruption issues.

The other people concerned included Mr Giorgio Vanoni, head of Fininvest's foreign subsidiaries and against whom there has been an international arrest warrant outstanding for several months. His arrest was sought in connection with the transfer in 1991 of a total of Lit6bn via a Channel Islands company, All Iberian, to Luxembourg accounts controlled by nominees of Mr Bettino Craxi, the former Italian Socialist premier.

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Stet looks at telecoms alliance with Veba and C&W

Advisers to Mr Romano Prodi, who will be named premier of Italy's first centre-left government in the next few days, have suggested that Stet take a 15 per cent stake in C&W and persuade Veba to raise its 10.5% existing stake in C&W to the statutory limit of 15 per cent. They would also be prepared to see C&W take a cross-holding in Stet.

Dr Brian Smith, C&W chairman, who yesterday announced that Mr Richard Brown would be appointed chief executive of the UK company, confirmed that talks with Stet were under way and that co-operation with Veba of Germany would also deepen. But he denied reports that the Italian operator was about to take a share in the UK group and played down the prospect of Veba increasing its shareholding.

The talks come at a time when many of the world's larger telecoms groups are forming alliances to compete for the business of large international customers. So far, Stet has failed to arrange a suitable marriage. It has been in fruitless talks with IBM of the US on an industrial tie-up for more than two years and had opened contacts with C&W and Veba before C&W began its abortive discussion with British Telecommunications late last year.

The Prodi advisers believe Stet should be privatised quickly but believe it would be more appetising to investors with a clear international partnership already in place. The long delayed privatisation of the 64 per cent stake in Stet owned by IRI the state holding company, worth some £21,000bn, is a top priority for Mr Prodi.

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Eligible partner, Page 13

Accelerating growth and low inflation forecast for EU in half-yearly outlook Brussels sees sun on economic horizon

By Gillian Tett, Economics Correspondent

When the European Commission unveiled its forecasts yesterday, its message was clear: the economic sun comes out tomorrow.

For though it made no secret that conditions had been disappointing in Europe this year, its outlook was suffused with optimism about the future.

It forecasts that growth will accelerate this autumn, that inflation will remain low - and several countries will reduce their budget deficits sufficiently to qualify for membership of a single currency.

The fly in the ointment is that the Commission doubts whether this upturn will have much impact on Europe's jobless levels.

From some perspectives, this upbeat tone is unsurprising. The Commission's half-yearly outlooks have long had a double role as economic projections and political weapons with which to press member states to pursue healthy policies.

And this year's forecast carried particular significance, given the Commission's determined public optimism about monetary union taking place as planned in 1999.

But outside Commission corridors the reaction was sceptical. For though some of the sums are accepted by the markets, many economists and some diplomats question how the overall arithmetic adds up.

The parts of the forecast which are not controversial are those about growth and inflation. Like most forecasters, the Commission has slashed its growth projections for the 15 member states this year to 1.5 per cent, from the 2.6 per cent it forecast six months ago.

It blames this on four factors: swings in the destocking cycle; the rise in long-term interest rates in 1994; the exchange rate turbulence in 1995; and a loss of confidence across the EU.

However, it is convinced that the indicators should rebound sharply in the second half of the year, leading to a 1997 growth rate only slightly lower than expected last November.

Meanwhile, EU inflation is predicted to edge gradually down to 2.4 per cent next year. Spain, Italy and Denmark are all expected to see lower inflation, while Germany's rate would rise slightly.

Thus far, the projections are uncontroversial. Indeed, for Germany, the Commission's outlook is slightly more pessimistic than the markets', while its French forecast is also modest.

But the item which yesterday provoked head scratching in the markets was the forecast for budget deficits.

In common with most economists, Brussels accepts that Britain, Belgium, Spain, Italy and Portugal will all fail to meet the Maastricht convergence criterion. This stipulates

EUROPEAN UNION: KEY ECONOMIC PROJECTIONS

	GDP growth* 1996	GDP growth* 1997	Fiscal deficit** 1996	Fiscal deficit** 1997
Belgium	1.1	2.3	-3.2	-3.7
Denmark	1.3	2.7	-0.9	-0.6
Germany	0.5	1.8	-3.9	-2.9
Greece	2.0	2.5	-8.1	-8.7
Spain	2.0	2.9	-4.8	-3.7
France	1.0	2.1	-4.2	-3.0
Ireland	5.8	4.9	-2.0	-1.8
Italy	1.8	2.7	-6.3	-5.2
Luxembourg	2.8	3.0	0.7	0.3
Netherlands	1.8	2.5	-2.5	-2.5
Austria	0.7	1.1	-4.8	-3.1
Portugal	2.3	2.8	-4.4	-3.7
Finland	4.0	3.6	-3.3	-1.6
Sweden	1.2	2.0	-5.2	-3.1
UK	2.4	3.0	-4.4	-3.7
EU	1.5	2.4	-4.4	-3.4

*GDP annual growth (%) **Fiscal deficit as % of GDP Source: European Commission

that countries' budget deficits should be no more than 3 per cent of gross domestic product in 1997 to enter EMU in 1999.

Austria is also (and more controversially) projected to miss narrowly. However, both France and Germany squeak through, with France hitting the outer limit exactly.

The precision by which the two countries "pass" the test in itself provoked suspicion. But, more specifically, economists found the projections odd, given the modest - and sensible - growth forecasts.

As Mr Didier Maillard, chief economist at Paribas in Paris, said: "Our opinion is that it will be very hard for both countries to hit the 3 per cent target given the slowdown in growth."

Mr Jan Harwood of Kleinwort Benson group, part of Dresdner bank, said: "They have either put a spin on it or they have factored in further cuts in [budgets] under pressure from governments."

The numbers have undoubtedly been subject to considerable discussion in recent days: earlier drafts of the report

suggested that France would need to take more action on its deficit, while some observers suspected that Germany might also not meet the target.

But the Commission vehemently denies that it massages numbers, and yesterday insisted it did not base the projections on anything other than planned government spending cuts.

One solution to the puzzle might be that governments' have very optimistic tax revenues. Some observers also suspect that the French and German governments have told the Commission privately they plan even more radical cuts or tax rises.

Brussels denies this is the case. But the implication remains that the sums can only be reached if governments implement more sweeping tax rises and spending cuts than their populations expect.

But though the Commission itself need not worry about the feasibility of all this, it will leave a large question mark hanging over the forecasts this year.

German slowdown hits revenue forecasts

By Peter Norman in Bonn

The German economy probably contracted in the first quarter of this year, prompting the Bonn finance ministry to scale back sharply its expectations of tax revenues for federal, state and local authorities between now and 2000.

The Berlin-based DIW research institute reported yesterday that an unusually harsh winter helped push first quarter real gross domestic product 0.5 per cent below the previous three months' level and 0.1 per cent below the first quarter of 1995.

The DIW figures, adjusted for inflation and to reflect normal changes in the seasons and working days, are released some weeks ahead of official GDP statistics.

The institute said output in eastern Germany contracted 2.5 per cent compared with the final 1995 quarter and was 0.7 per cent below the first 1995 quarter, largely because of a weather-induced collapse of construction activity.

Its statistics showed the western German economy stagnated in the first quarter while output nationwide was flat in the final quarter of 1995. This latter finding contrasted with an earlier DIW report and

recent official figures which pointed to a drop in GDP late last year.

Mr Theo Waigel, finance minister, said the long winter had forced the government to cut its expectations of growth and tax income for this and subsequent years.

Reporting on the findings of a group of expert officials, he said overall revenues for federal, state and local authorities this year were now expected to be DM807.1bn (\$526bn), or DM21.7bn below a forecast of last October.

The minister said federal tax income alone was expected to be DM11.8bn less this year than was

thought seven months ago.

Yesterday's official revenue forecasts were slightly less than those discussed at a meeting of German state prime ministers last weekend.

The ministry also published revenue forecasts for future years, compared with forecasts of May 1995 adjusted for the impact of tax changes that took effect in January this year.

The expected revenue gaps ranged from DM66.5bn for all levels of government in 1997 - the year which will provide the data for European Union countries to qualify for mem-

bership of economic and monetary union from January 1 1999 - to DM100bn in 2000.

Yesterday's figures will form the basis of the government's revenue estimates for the federal budget, due to be agreed by the cabinet in July.

Despite the large shortfalls, Mr Waigel said there was no reason for pessimism or change in the government's economic and financial policies.

However, the figures emphasised the need to push through in full the programme of spending cuts, tax changes and welfare restructuring announced last month.

Government of national unity idea adds to election confusion

Yeltsin ponders broad coalition

By John Thornhill in Moscow

President Boris Yeltsin is considering forming a broadly-based government of national unity to help heal the rifts in Russian society, the presidential press spokesman said yesterday. However, it would probably not happen until after the first round of next month's presidential election.

The possibility, long rumoured in Moscow, adds to the political confusion and raises constitutional concerns in the run-up to the elections.

Some believe discussions about the formation of a coalition government are evidence of the feverish political mood in Moscow. They say the president's campaign team appears to be working on a broad range of possible tactics to ensure Mr Yeltsin retains power - including plans for some sort of state of emergency.

They also point to comments earlier this month by Mr Alexander Korzhakov, head of the presidential bodyguard, that elections should be postponed - though these comments were later rejected by Mr Yeltsin.

Three more Russian soldiers were shot dead yesterday in the ruined Chechen capital, Grozny, which President Boris Yeltsin is due to visit soon, AFP reports. The three *kontraktniki* - volunteer soldiers on a paid contract, rather than conscript soldiers - were killed in bursts of automatic rifle fire.

Kontraktniki are widely hated by Chechens. "Go and look how much we love Russians," said one street vendor, adding "Well done, our lads."

The incident demonstrated what a security nightmare Mr Yeltsin's visit, planned for mid-month, would be.

The president discussed the formation of a coalition government yesterday with Mr Svyatoslav Fyodorov, a rival presidential candidate who has been pressing for political compromise.

"We need a government of people's confidence to be formed on an honest basis and pool together everyone, including communists, capitalists, and centrists," Mr Fyodorov said, after the meeting. "Yeltsin shares my opinion. He thinks this government should be formed immediately... between the first and second rounds of the elections."

The presidential press spokesman suggested Mr Yeltsin did not think the idea was

feasible before the first round of the election and needed to give the matter more thought.

Mr Yeltsin has even said he wants to talk directly to Mr Gennady Zyuganov, the Communist party leader and his main presidential rival. That has led some senior Russian officials to speculate that Mr Zyuganov might be offered the post of prime minister after the first round if neither of them won an outright majority.

Creation of such a government could be used as an excuse to postpone the second round - a run-off between the two leading candidates - although this would raise serious constitutional concerns. It also appears unlikely that the

Communist party would countenance such a move.

In recent days, Mr Yeltsin has also met other presidential candidates, including Mr Grigory Yavlinsky, leader of the liberal Yabloko bloc, and Mr Alexander Lebed, the former military commander, to discuss creating a unified democratic bloc but has met with a cool response.

Some political observers argue Mr Yeltsin is just toying with these so-called "third force" candidates to destroy their credibility as independent politicians.

But he could also be angling to win their backing should the elections go into a second round.

Many of Russia's bankers and business leaders, who fear the upheaval the elections might produce, have also been pressing for a government of national unity. The Russian Union of Industrialists and Businessmen yesterday called on all politicians to discard "ambitions, narrow interests, and mutual attacks" to counter the dangerous polarisation of society.



Sprucing up his image: A Moscow city worker passes a cloth over a Yeltsin election poster

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Tudjman furious over European bar

By Laura Silber and Anthony Robinson in Zagreb

President Franjo Tudjman of Croatia reacted angrily yesterday to this week's decision by ministers of the Council of Europe to postpone his country's entry into Europe's oldest political institution. "It is strange and surprising that they made this decision after accepting countries such as Albania, Moldova and Russia."

While fighting Serbian aggression, we have established democracy and held four elections. It is difficult to explain

this decision as anything other than ill-will towards Croatia," he said in an interview.

For the first time in the Council's 47-year history, ministers overruled a European parliament vote in favour of entry because of Croatia's failure to comply with the human rights obligations.

Since the parliament's vote last month, the Croatian government has cracked down on the independent media and continues to veto the appointment of a mayor for Zagreb, the capital, following the opposition victory in elections six

months ago. The official press has also attacked Mr Ivan Zvonimir Cicak, the leading human rights campaigner.

Diplomats cited as grounds for the ministers' decision Zagreb's failure to protect minorities adequately or to ease the return of Serb refugees, insufficient co-operation with the international war crimes tribunal for former Yugoslavians in The Hague, and Croatian obstruction of the reunification of the divided Bosnian town of Mostar.

Mr Tudjman dismissed the objections as "completely unjustified and unacceptable". Croatia had done more than any other European state to contribute to the resolution of the crisis in Bosnia-Herzegovina, he said. Under the Dayton accords signed last December, Bosnian Croats agreed to dissolve their mini-state of Herceg-Bosna and create a joint administration with Bosnian Muslims in Mostar.

The Nato-led implementation Force has 60,000 troops in Bosnia to consolidate the fragile peace process. Under the Dayton accords, Bosnia-Herzegovina is confirmed within

its internationally recognised borders but divided roughly in half between the Bosnian Serb mini-state of Republika Srpska and a Muslim-Croat federation. In practice, Bosnian Croats have blocked the creation of joint organisations with the Muslims.

At the same time, only a few thousand of over 150,000 Serb refugees who fled the Croatian army's reconquest of the third of Croatian territory formerly controlled by the Serbs have been allowed to return to their homes, most of which have been burnt and looted.

The power struggle between Mr Kasagic and Mr Karadzic is actually the conflict between the Bosnian Serb leader and Mr Milosevic. It reflects divisions which run deep within the Serbian political body.

They represent two Serbian political traditions: Mr Karadzic, the right-wing Chetnik monarchist, and Mr Milosevic, the Communist partisans of the second world war.

Bosnian Serb chief sacks potential rival

By Laura Silber in Zagreb

The Bosnian Serb leader Mr Radovan Karadzic yesterday sacked Mr Rajko Kasagic as prime minister of Republika Srpska, signalling that hardliners have gained the upper hand in the Bosnian Serb entity.

The move casts a shadow over prospects for Serb co-operation with the Dayton peace accords in Bosnia.

From northwestern Banja Luka, the biggest Serb town in Bosnia, Mr Kasagic was seen as more loyal to Belgrade than Pale, Mr Karadzic's stronghold above Sarajevo.

Mr Kasagic has proved willing to co-operate with international mediators, and even his Muslim and Croat foes, in implementing the Dayton agreement, secured by a 60,000-strong Nato-led implementation Force (IFOR).

It is likely that Mr Kasagic, who has a picture of President Bill Clinton in his office, will attempt to launch a comeback. Earlier this week, he was reported to be planning to oust several ministers loyal to Mr Karadzic.

He has been promoted by Belgrade and international mediators as an alternative to Mr Karadzic, who, as a suspected war criminal, has been shunned. Ifor has instructions

to arrest Mr Karadzic and his military commander, General Ratko Mladic, if they come into contact with the international force.

After the Dayton agreement was signed last December, Mr Kasagic was appointed prime minister of Republika Srpska, which, along with the Muslim-Croat Federation, now comprises Bosnia.

In a statement yesterday, Mr Karadzic said Mr Kasagic had been ousted because he "failed to adapt to his work, which would undoubtedly jeopardise the interests of the country and its people". Mr Kasagic was sacked "in order to protect the constitutional order and prevent the further deep-

ening of the crisis in the functioning of the government".

Mr Colum Murphy, the international community's high representative in Bosnia, said Mr Blidit was "outraged by this attempted coup against the Dayton agreement. It is a patch and we will not recognise it. We will continue to do business with Mr Kasagic".

There was no immediate reaction from Mr Kasagic. But reports in Belgrade said Mr Milosevic earlier this week had summoned the two Bosnian Serb leaders to the Serbian capital. Mr Milosevic is under considerable international pressure to get rid of Mr Karadzic.

EUROPEAN NEWS DIGEST

Plea to save Gdansk yard

Shipowners who have orders worth \$850m at Poland's near-bankrupt Gdansk Shipyard have written to the government urging it to support the yard or face hurting the credibility of the country's shipbuilding industry. The six companies, which include owners from Germany, Denmark, Canada and Greece, say they are dismayed the government is considering declaring the yard bankrupt as a means of forcing a renegotiation of existing contracts.

They say they think it "unimaginable that the Polish government would actually arrange for its own state-controlled entity to go bankrupt", and warn that they "will protect their contractual rights by legal and other means". The warning comes as the government is looking for investors abroad for the yard, which has debts of more than 300m zlotys (\$100m). The Korean corporation LG International, which currently has no shipbuilding interests, has said it is considering taking a stake.

Christopher Bobinski, Gdansk

Srebrenica 'survivors' emerge

Seven armed men who surrendered to Nato forces last week in Republika Srpska, the Serb statelet within Bosnia-Herzegovina, and were subsequently handed over to the local police, are thought to be Srebrenica survivors. All seven men are on both the lists of missing people compiled by the International Committee of the Red Cross and the Bosnian Government. Official sources said. The ICRC confirmed last night that at least five of the men had been listed as missing.

The government enclave was overrun by the separatist Serb army last July, despite its status as a UN protected zone. Several Muslim men from Srebrenica who escaped the Serbs' mass execution of the enclave's male population lived rough in eastern Bosnia for months. One man emerged only last month.

The seven men, who were technically in violation of the Dayton agreement by carrying weapons, are being held by the Serb police for allegedly killing four Serbs the week before near Zvornik, where they were found. Officials connected with the case have dismissed the Serbs' charges against the men as "farcical", but Nato has defended its decision to hand the men over to the Serbs.

Harriet Martin, Sarajevo

Finnish inflation rate at 0.7%

The annual inflation rate in Finland last month was only 0.7 per cent, down from 1.5 per cent a year earlier, according to the central statistics office. Consumer prices were 0.2 per cent higher in April than the month before, but the rise was mainly due to a 2.8 per cent increase in the price of petrol.

The good news on inflation was tempered by continuing high levels of unemployment. Finland's jobless rate reached 17.4 per cent in April, the labour ministry said. A total of 44,100 people were without jobs last month, about 7,500 less than in March and 15,200 fewer than in April last year.

The customs board announced the value of exports rose 13 per cent year-on-year in 1995, and that of imports rose 5 per cent. The December trade surplus was FM4.45bn (\$940m) down from FM4.93bn in November.

Agencies, Helsinki

Aznar in talks with unions

Spain's new conservative prime minister, Mr José María Aznar, held his first talks with union leaders yesterday, to discuss how to tackle the country's near 23 per cent unemployment rate. Union leaders, wary of the centre-right Popular party's recently announced spending cuts and privatisation plans, wanted assurance that these would not entail job losses or cuts in social security levels. "They couldn't have started worse - with generalised cost cuts made without consulting anyone," said Mr Antonio Gutierrez, head of the Workers' Commissions union federation.

Yesterday's meeting was the second stage of Mr Aznar's attempt to open negotiations aimed at agreeing a wide-ranging pact for jobs. He met business organisation chairman Mr José María Cuevas on Monday. Mr Cuevas wants to go further than the government and looks likely to antagonise the unions with his ideas on labour law reform and changes in education.

Reuter, Madrid

CFE treaty review opens

Delegates from Europe, the US and Canada opened a key conference yesterday to review the 1990 Conventional Forces in Europe (CFE) treaty, considered an anchor of post-cold war security. More than 50,000 pieces of military equipment have been destroyed in the three-year reduction period which ended last November. The total includes nearly 19,000 battle tanks, 18,000 armoured combat vehicles, and thousands of pieces of artillery, combat aircraft and attack helicopters.

Russia is in technical violation of the pact by failing to meet its weapons cuts obligations by the November deadline. Armenia and Azerbaijan, in dispute over the region of Nagorno-Karabakh, have also yet to meet arms reduction limits. Russia, which has argued that the treaty is outdated, is expected to push for a commitment to a new, modernised arms accord. The conference ends on May 31.

Reuter, Vienna

Yugoslav bank chief faces sack

The lower chamber of the Yugoslav parliament yesterday voted to dismiss the National Bank governor, Mr Dragoslav Avramovic, after weeks of conflict over the terms of IMF membership, privatisation and fiscal policy. 75 deputies voted for his dismissal, and 33 against, with no abstentions. The upper chamber was expected to vote later in the day or tomorrow, and was also expected to oppose him.

Mr Avramovic had appealed to the government not to sack him and said he wanted to seek deals in support of the dinar. The IMF dispute has prevented Yugoslavia gaining access to hard currency credits it needs to revive its economy. "If I make a deal with the Bank of England, the Bundesbank and the Banque de France, there will be no threat to the dinar. That will be the first thing I will do, but only if the government lets me," he said. The dinar, which had been stable at 3.3 to the D-Mark, fell on the black market to 3.45 after parliament began discussing Mr Avramovic's future.

Reuter, Belgrade

ECONOMIC WATCH

Portuguese GDP rises 1.9%

Portugal's gross domestic product grew by 1.9 per cent last year compared with 0.7 per cent in 1994, according to the national statistics institute, INE. This is considerably lower than estimates of 2.5 and 2.25 per cent made recently by the government and the central bank. The Bank of Portugal said yesterday that the INE figure did not include the contribution to GDP growth of the rundown of stocks held by companies. The bank estimates this at 0.3 percentage points in 1995. The government forecasts gross domestic product growth of 2.5-3 per cent this year but the central bank recently revised its 1996 forecast downward to 1.75-2.75 per cent.

France's current account showed a seasonally adjusted surplus of FF10.87bn (\$2.13bn) in February, down from FF14.32bn the month before. The total for the two months compares with a FF2.25bn surplus for the similar period in 1995.

Swedish unemployment rose in April to 7.5 per cent of the workforce from 7.4 per cent in March.

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Feuding blights Turkish coalition

Ferocious disputes between the party leaders have raised doubts about how long the government can survive, writes John Barham

Turkey's conservative coalition, born amid great optimism less than three months ago, appears to be in its death throes.

Its sickly state has dashed hopes that it could deal with the country's economic problems through free market reforms and, above all, that it could hold the line against the advance of radical Islam.

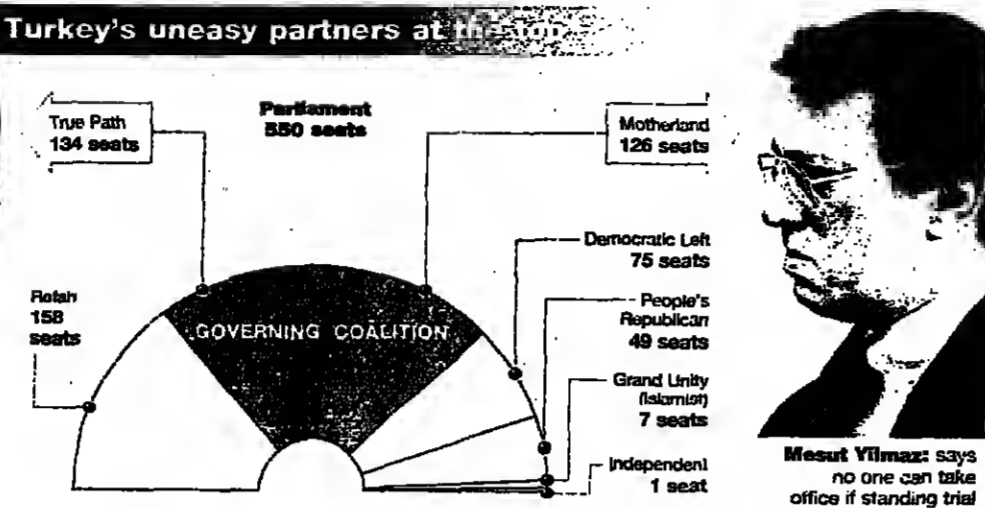
Mr Erol Sabanci, head of Akbank, the country's largest private bank, said: "Public opinion favours a strong centre-right government, but today I doubt the centre-right could get more than 40 per cent of votes in an election because of the performance of the government. The business community does not have any confidence in how long this government will last."

Even hardened political observers are surprised by the ferocity of the feuding between the coalition's two partners - the Motherland party of Mr Mesut Yilmaz, the prime minister, and Mrs Tansu Ciller's True Path party. Fewer and fewer MPs from both coalition parties think the government can survive until December.

Motherland MPs are supporting demands by Refah, the Islamist opposition party, to set up parliamentary committees to investigate corruption allegations against Mrs Ciller, with the declared aim of bringing down the government.



Tansu Ciller faces a possible corruption trial in the high court



Mesut Yilmaz says no one can take office if standing trial

office as prime minister if he or she is on trial.

Mrs Ciller could lose her chance of becoming prime minister again on January 1, as required under the Motherland-True Path power-sharing formula, because the process would take several months.

Motherland MPs hope Mr Yilmaz would then become undisputed leader of the centre-right.

Mr Sedat Ergin, Ankara bureau chief of the newspaper Hürriyet, said Mrs Ciller "is a survivor, she always finds ways to break out of the siege. But this time the siege is stronger than ever and she does not have enough strength to break the siege."

Pundits are divided over what happens next. A dwindling number believe that the government can muddle on and that a formula will be found to allow Mrs Ciller to take office again for two years as planned. With luck, Motherland and True Path would start co-operating and could even merge later.

However, many more believe Mr Bulent Ecevit, a prime minister in the 1970s and now leader of the moderate Democratic Left party, will head an anti-Islamist coalition.

The military, as politically powerful as ever, favours Mr Ecevit because of his staunchly secularist views. His honesty makes him Turkey's most popular politician.

The other alternative is a Refah-Motherland coalition. Supported by western governments, the secularist elite - the military, media, big business - blocked attempts to form such a government after last December's inconclusive general elections, when Refah took the most votes but no single party won a mandate to govern.

Local elections are due on June 2 and polls indicate Refah should win the most votes, followed by the Democratic Left. The discredited Motherland and True Path would continue losing ground. Even MPs want fresh general elections, since Refah could win a parliamentary majority.

Many business leaders believe Turkey's dire economic situation leaves Mr Ecevit or

Mr Necmettin Erbakan, Refah's leader, no other choice but to adopt tough economic policies even though both are populists. Some senior executives privately support a Refah-led government, believing it would allow Motherland's strong economic team to run the economy.

Inflation is running at 81 per cent a year. Real yields on treasury bills are close to 40 per

cent. Interest payments are now the largest item in the government budget.

Without some structural reforms to control the budget deficit, forecast at \$11.6bn or 7 per cent of gross domestic product this year, interest rates could rise steeply in the autumn, deepening economic instability.

There is a small but growing number of pessimists who

expect some serious unrest. They see no chance of the centre-right uniting. They think an Ecevit or Erbakan government would fail.

An Istanbul-based US businessman, until recently an optimist, said: "I see chronic economic disruption and political polarisation. There is no leadership, nobody has the strength to impose a sensible solution."

either, Mr Rusche said. "Since antiquity the rule has always been that the seller had to be at the market at a time nominated by the buyer. This is clearly something that has escaped German retailers."

The IMG comparative figures - the association includes among its members shops like Simpsons of Piccadilly in the UK and Old England in Italy - come just as a law to liberalise Germany's restrictive shopping hours finally received its first reading last week in the Bundestag, the lower house of parliament.

There is, however, still a good deal of disquiet about any liberalisation - even among the ranks of Chancellor Helmut Kohl's Christian Democratic Union.

Some CDU deputies fear that shop assistants will have to work longer hours and that the changes will result in an influx of cheaper labour enjoying fewer of the generous social benefits which are standard in Germany.

Significantly, Mr Norbert Blum, the labour minister who heads the left-leaning faction within the party, has finally thrown his weight behind the liberalisation measures.

Others have vowed to continue their battle against more flexible shopping hours. Mr Julius Louven, the CDU's social affairs spokesman, warned last week that he would try to force some changes to the government's proposals. "Until we finally decide, there is still a need to settle a number of issues," Mr Louven said.

Mr Rusche admitted that while the IMG figures were restricted to quality menswear shops, the German figures included a broad range of retailers. "But even among the top-of-the-range retailers I know of nobody who can generate sales of more than DM350,000," he said.

'Service with a yawn' in Germany's shops

By Michael Lindemann in Bonn

German shoppers are not receiving the service they should, because sales assistants spend too much time reading and even yawning, instead of focusing on clients' needs, according to an international retailers' survey.

The International Menswear Group (IMG), an association of menswear retailers in 12 countries with combined sales of about DM500m (\$330m), said German sales assistants were ringing up sales worth only DM230,000 per year, while their international counterparts can manage twice as much - up to DM460,000.

During the IMG's annual meeting, held in Germany last week, members visited a number of shopping areas which, according to Mr Heinrich Thomas Rusche, IMG's German representative, did not impress the visitors.

"I took my colleagues from the US and Australia up and down high streets in Frankfurt and Berlin and they were horrified," Mr Rusche said. "Sales assistants were sitting down, they were reading - some were even yawning. Basically, the message the shopper got is 'What do you want here?'"

Mr Rusche said the poor turnover figures were exacerbated by the fact that Germans generally have little regard for people working in the retail trade.

"The service mentality is simply underdeveloped and now, at a time when we are in a retail crisis, savings are being made at the wrong end, by reducing the number of staff, by neglecting their training. The readiness of a sales assistant to provide a service sinks even further."

Germany's rigid shop opening hours did not help build proper relationships with clients

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Turkey's strong Islamist opposition yesterday stepped up pressure on the conservative coalition to quit after a court ruling cast doubt on the government's constitutional right to its hold on power, Reuters reports.

"Work on forming a new government should begin without wasting any time," said Mr Musa Demirel, deputy head of the Islam-based Refah party.

Mr Mesut Yilmaz's coalition partner, Mrs Tansu Ciller, said a new confidence vote was needed in the government after the constitutional court ruled its original March vote was illegal.

Mr Necmettin Erbakan, Refah's leader, said the government was illegal and urged the battered secularist parties to join him in a new ruling alliance.

In April, MPs voted to form a committee to investigate whether she failed to prevent \$47m in losses in tenders by Tefas, the state-owned electricity distributor.

Earlier this month they approved, by an even larger majority, Refah's proposal to investigate allegations first put forward by Mr Yilmaz that she interfered in the privatisation of Tofas, Turkey's biggest carmaker, to favour a friend.

Next, Refah will demand an investigation into the source of Mrs Ciller's considerable wealth.

If parliament approves the committees' findings - they must report within four months of starting work - then Mrs Ciller must stand trial at the high court.

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office as prime minister if he or she is on trial.

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BRITISH AIRWAYS
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Czech political leaders launch poll campaigns

Mr Vaclav Klaus, the Czech prime minister, and other political leaders hit the campaign trail yesterday, on the first official day of campaigning for parliamentary elections that the current premier is considered likely to win, AP reports from Prague.

"We offer you liberty and prosperity," Mr Klaus told about 1,000 supporters on Prague's Old Town Square.

Most opinion polls suggest Mr Klaus's governing coalition will continue in office, largely because he helped steer the Czech economy on a free-market course without many of the hardships suffered by other post-Communist countries.

In the west, the Klaus government is given high ratings for fostering political stability and economic reform. This has made the Czech Republic the frontrunner among candidates for European Union and Nato membership.

Sixteen parties will compete in the May 31-June 1 ballot, but only six stand a chance of being represented in the 200-seat parliament.

Mr Klaus's Civic Democratic party (ODS) is leading in all eight of the country's regions, a poll released yesterday showed.

ODS has its largest lead over the main opposition party, the Social Democrats (CSSD), in Prague, where it has the support of 38 per cent of voters to

only 19 per cent for the CSSD. But Northern Moravia, where Mr Klaus and CSSD leader Mr Milos Zeman are running head-to-head, proved to be ODS's weakest region, where it narrowly leads with 29.5 per cent to CSSD's 25.6 per cent.

Overall, ODS remained comfortably ahead of CSSD with 29.1 per cent support compared to 20.4 per cent.

The poll also showed that the current governing coalition, led by ODS, is strongest in Prague, with the support of 55.8 per cent of the electorate, while its weakest position is in western Bohemia, where it has only a 39 per cent rating. Left-wing parties fared best in western Bohemia, with the Communist party (KSCM) gaining 16 per cent support.

The junior ruling coalition partner Christian Democratic Union (KDU-CSL) of vice-premier Mr Josef Lux finds its support mainly in southern Moravia, a largely rural area, where the party polled 14 per cent, the poll showed.

Another junior governing partner, the Civic Democratic Alliance (ODA), received its largest support base in Prague with 11 per cent.

The ultra-right Republican party has its largest support in south Bohemia, central Bohemia and northern Moravia, with 11-12 per cent of respondents in these areas saying they would vote Republican.

http://www.british-airways.com

Apprehension in corporate circles as threat of US-China trade war looms

US big business fears sanctions

By Richard Waters in New York

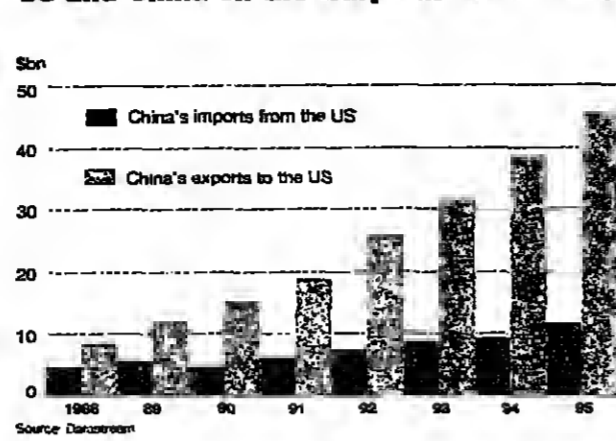
With some of the highest US manufacturers bracing themselves yesterday for retaliation from China in the latest trade dispute between the two nations, the thinly-disguised disagreement in business circles over Washington's banding of the situation threatened to break out in public.

Big aerospace and automobile companies, in particular, fear they will suffer most from the latest round of sabre-rattling, while executives in the software and entertainment industries, traditional supporters of President Clinton, lined up yesterday to support the US administration's hard line on trade.

The US has targeted \$3bn in Chinese goods for punitive tariffs, including:

- Six clothing \$750m
- Sewing machines \$655m
- Cotton products \$470m
- Other textile fibres \$204m
- Consumer electronics such as answering & fax machines & cellular phones \$500m
- Other goods such as sportswear and gymnasium equipment \$500m

US and China on the warpath: the hit lists



China threatens to put special tariffs on US goods such as:

- Agricultural and husbandry products
- Vegetable oils & fats
- Vehicles & spare parts
- Telecommunications equipment
- Cameras, tobacco & alcoholic drinks
- Imports of audio-visual products
- Approval of some joint-ventures, including tourism & commerce

Concern growing in Hong Kong

By John Riddling in Hong Kong

Hong Kong is viewing the escalating dispute between its two largest trading partners with concern, but not yet alarm.

"We are always worried when relations between any of our major trading partners are bad because we are the piggy in the middle," says Mr Tony Miller, director general of Hong Kong's trade department.

For the moment, however, the Sino-US row has not shaken business and investors. The stock market continued its rally yesterday, with the Hang Seng index gaining 46 points to close at 10,883 before the sanctions announcements.

The initial impact of \$2bn to \$3bn of US sanctions was seen as limited. "Even if you take a port operator such as Hutchison or MTL, then the ultimate effect on trade going through their Hong Kong berths is not too significant," said one freight executive.

Of much greater concern to businessmen and investors is the risk of a tit-for-tat row and the potential implications for the renewal of China's Most Favourable Nation trading status with the US.

favoured-nation trading status.

These and other reactions yesterday pointed to growing fears among some US executives that the festering dispute over trade and human rights have cost American companies business in China.

Several big contracts awarded to European companies in the past year have provoked accusations of political preference in the US. A month ago, China passed over Boeing and McDonnell Douglas in favour of Airbus, the consortium of European aircraft makers, when placing a \$1.5bn order for 30 new jets. Last year, a big car project went to

Mercedes-Benz rather than Chrysler. "We never know for sure" if such contracts are awarded on political grounds, said one US car industry executive. "For us, it's a secondary effect."

The outbreak of concern also reflects a fear the Chinese will use recently agreed, but not yet confirmed, orders and contracts as leverage in the dispute. Threatening to withhold final agreements, or cancelling them, would bring the most direct leverage.

General Motors says it expects to invest \$2bn in a range of ventures in China "over the next couple of years". Half of that is ear-

marked for a new mid-sized car plant in Shanghai that, though agreed in principle, has yet to receive formal approval. Boeing and McDonnell Douglas are awaiting confirmation of orders for new aircraft.

Among supporters for the US stance yesterday, Mr Gerald Levin, Time Warner chairman, said: "I congratulate the Clinton administration and congressional leaders on their resolve to demand fair and open markets for US intellectual property products in China."

Separately, Chrysler said it was seeking agreement to build a small car for the Chinese mass market, writes Tooy

Walker in Beijing. Chrysler has submitted an application to the Ministry of Machinery Industry. Mr Thomas Gale, Chrysler executive vice-president, said: "Our eyes are open to all possibilities in the Chinese car market."

The US company produces its Jeep Cherokee in partnership with Beijing Auto Works and plans to lift production from 80,000 to 150,000 units a year by 2000. China has placed a freeze on new entrants to car manufacturing until the end of this year while it consolidates a rapidly growing industry. Among foreign manufacturers in China are Volkswagen, Peugeot, Citroen and Daihatsu.

WORLD TRADE NEWS DIGEST

Korea Telecom in Hanoi deal

Korea Telecom, the state-run South Korean telecoms company, said yesterday Hanoi had approved a \$40m project to install and operate telephone lines in three provinces in northern Vietnam. Mr Kyum-Chul Park, managing director of Korea Telecom's Hanoi office, said the work would be carried out under a "business co-operation contract" (BCC) with Vietnam Posts and Telecommunications (VNPT), the state telecoms monopoly.

Vietnam plans to increase telephone penetration to 5 lines per 100 people by 2000, from one per 100 people now. Once the lines are installed, Korea Telecom would share call revenue with VNPT for seven years, Mr Park said. However he declined to say how the revenue would be split. Revenue-sharing has been a sore point in talks between VNPT and four other foreign telecoms companies also seeking BCCs with VNPT. The four - Cable & Wireless of Britain, Telstra of Australia, NTT International of Japan and France Telecom - have been discussing possible terms with VNPT for over a year.

Jeremy Grant, Hanoi

UK and Japan in joint aid plan

The UK and Japan are to carry out a \$3.75m (\$5.7m) joint aid project in Bosnia, their most important such venture since London and Tokyo agreed to co-operate on foreign aid 18 months ago. While the aid is small, Japanese foreign ministry officials say the project is diplomatically important as the first joint venture with the UK in Bosnia. The aid, which is untied, will be used to repair two electrical power lines over the next few months.

The UK and Japan have already joined forces to provide technical assistance and aid in Zambia, have co-ordinated their aid policies on South Africa and have provided technical assistance in Tanzania and Kenya.

Japan also holds regular consultations on aid policies with other leading donors such as France and Germany. Japanese officials are keen to extend aid joint ventures because of their lack of experience in developing countries outside Asia, which receives 60 per cent of Japanese aid. William Dawkins, Tokyo

Thai semiconductor unit planned

Texas Instruments of the US, Acer of Taiwan and Thailand's Alpbatec Group yesterday announced plans to invest \$200m in a new semiconductor assembly and test facility in Thailand. Production is expected to begin in the second half of 1997, handling 150m units a year.

Mr Charn Uswachoke, head of the Alpbatec Group, will personally hold 51 per cent of the new company, called Alpha Memory. Texas Instruments will own 33 per cent, with the remaining 16 per cent held by TI-Acer, a Taiwanese joint-venture between Texas Instruments and Acer.

Alpha Memory is the second joint venture involving Mr Charn and Texas Instruments. Last December they formed Alpha-TI a \$1.2bn company to build advanced memory chips, known as D-Rams. Some production from Alpha-TI is expected to be passed on to Alpha Memory for final assembly and testing.

Ted Bardacke, Bangkok

EBRD takes Latvia bank stake

The European Bank for Reconstruction and Development is to take a 23 per cent stake in Latvian Unibanka, Latvia's largest commercial bank, with an investment of about \$10m. The Latvian government stake will be reduced from around 47 per cent to 25 per cent, while another foreign investor is to inject around \$5m to acquire a stake of 11 per cent.

The EBRD equity stake follows its provision of a \$100m (\$19.8m) line of credit to the bank last December. Mr David Hester, EBRD deputy vice president, said the injection of new equity would enable Latvian Unibanka to serve its customers more effectively as Latvia moved towards a market-oriented economy and would help it to expand its corporate lending.

Kevin Dome, East Europe Correspondent

Nokia Telecommunications has won a \$30m order to expand the NMT 470 cellular network operated by Mobitel, a joint venture between PT Rajasa Hazanah Perkasa and Indonesia's state-owned PT Telekomunikasi Indonesia. AFX, Helsinki

Unctad bounces back with a new lease of life

The agency's conference in South Africa showed the threat of abolition has gone, writes Mark Ashurst

Secretary-General of the United Nations Conference on Trade and Development, believes the 32-year-old body is embarking on a renaissance.

Amid allegations that its role has been sidelined by the growing influence of the World Trade Organisation (WTO), Unctad's ninth quadrennial conference has revitalised its

mission: to champion the interests of developing countries on the world trade agenda.

"Unctad will provide a comprehensive view of the world economy, including relations between trade, investment, technology and finances, and always with a development perspective, looking for more justice, more fairness, and complementing the logic of competition with the logic of

solidarity," said Mr Ricupero.

The 14-day conference, which closed in South Africa at the weekend, was the largest international gathering on trade and development. As more than 2,000 delegates including 62 ministers from 134 countries returned home, it was clear Mr Ricupero had achieved his immediate priority of rescuing the Geneva-based agency from the threat of abolition.

A former Brazilian finance minister and trade envoy, Mr Ricupero was recruited to Unctad last year by UN secretary-general Boutros Boutros Ghali to bring new focus to Unctad's work.

In the wake of a 10 per cent cut in jobs, the conference agreed to streamline its activities by scrapping one of its two annual executive meetings and reducing the

number of subsidiary commissions from seven to three.

These will deal with trade in goods, services and commodities; investment, technology and finance; and enterprise, business facilitation and development.

But there is scant evidence that a more efficient Unctad will become more effective. It has often been described as "the conscience of the UN" because of its ties with developing countries marginalised by world trade.

Neither the UN nor the WTO is bound by Unctad's recommendations, and its influence is no less questionable among poor countries than it is among developed ones.

For example, though compensation for the poorest countries was agreed at the Uruguay Round trade talks, Unctad has little say in refining the terms of that agreement.

"Unctad has never been a

forum for debt negotiations. Its role is to provide analytical information and proposals on problems relating to debt," explains Mr Ricupero.

Its achievements, too, are marred by an overlap with initiatives from other organisations. A resolution to explore options for a multilateral framework on foreign direct investment in developing countries followed similar proposals in the OECD.

However, Unctad's survival has revived hopes of improved co-operation between the developed world and the Group of 77 nations, which represents 132 of the least developed countries.

"I have a strong sense from G77 that it's been a good dialogue... We're moving from single issues to holistic analysis," said Mr Alec Erwin, South African minister of trade and industry, who will be president of Unctad for the next four years.

"IN THE NAME OF GOD"

Ministry of Energy, Water & Power Resources Development Co.

INVITATION PREQUALIFICATION OF APPLICANTS FOR 2 X 125 MW SAZBON HYDROELECTRIC POWER PLANT

Iran Water & Power Resources Development Company (IWPC) invites applicants to provide information for prequalification of the following parts of the 2 x 125 MW SAZBON HYDROELECTRIC POWER PLANT in Ilam province of the ISLAMIC REPUBLIC OF IRAN.

1. Project management, supply of auxiliary electrical & mechanical equipment and erection of all main & auxiliary electrical & mechanical equipment (Lot 3).
2. Supply and supervision of erection of 2 No. vertical shaft Francis turbines (net head of 130 m) complete with governors and 2 No. butterfly valves (Lot 4).
3. Supply and supervision of erection of 2 No. vertical synchronous generators complete with excitation systems and switchgear (Lot 5).
4. Supply and supervision of erection of 1 & C and protection systems (Lot 6).

Each lot shall be financed by the tenderers independently, and separate prequalification documents are to be submitted for each lot.

The applicants themselves or their authorized representatives may obtain prequalification documents from June 9, 1996, onwards and are required to submit completed prequalification documents before 12.00 hours on July 10, 1996 at the following address:

Iran Water & Power Resources Development Company Electrical & Mechanical Department (Mr. Kiani) Building No. 1, sixth floor, No. 212 Nejatollahi Street, Tehran - IRAN Tel: (+981) 21 8801038-9 Fax: (+981) 21 897635

"IN THE NAME OF GOD"

Ministry of Energy, Water & Power Resources Development Co.

INVITATION PREQUALIFICATION OF APPLICANTS FOR 2 X 160 MW HINI MINI HYDROELECTRIC POWER PLANT

Iran Water & Power Resources Development Company (IWPC) invites applicants to provide information for prequalification of the following parts of the 2 x 160 MW HINI MINI HYDROELECTRIC POWER PLANT in Ilam province of the ISLAMIC REPUBLIC OF IRAN.

1. Project management, supply of auxiliary electrical & mechanical equipment and erection of all main & auxiliary electrical & mechanical equipment (Lot 3).
2. Supply and supervision of erection of 2 No. vertical shaft Francis turbines (net head of 114 m) complete with governors and 2 No. butterfly valves (Lot 4).
3. Supply and supervision of erection of 2 No. vertical synchronous generators complete with excitation systems and switchgear (Lot 5).
4. Supply and supervision of erection of 1 & C and protection systems (Lot 6).

Each lot shall be financed by the tenderers independently, and separate prequalification documents are to be submitted for each lot.

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"IN THE NAME OF GOD"

Ministry of Energy, Water & Power Resources Development Co.

INVITATION PREQUALIFICATION OF APPLICANTS FOR 3 X 250 MW KARUN 4 HYDROELECTRIC POWER PLANT

Iran Water & Power Resources Development Company (IWPC) invites applicants to provide information for prequalification of the following parts of the 3 x 250 MW KARUN 4 HYDROELECTRIC POWER PLANT in Khuzestan province of the ISLAMIC REPUBLIC OF IRAN.

1. Project management, supply of auxiliary electrical & mechanical equipment and erection of all main & auxiliary electrical & mechanical equipment (Lot 3).
2. Supply and supervision of erection of 3 No. vertical shaft Francis turbines (net head of 147 m) complete with governors and 3 No. butterfly valves (Lot 4).
3. Supply and supervision of erection of 3 No. vertical synchronous generators complete with excitation systems and switchgear (Lot 5).
4. Supply and supervision of erection of 1 & C and protection systems (Lot 6).

Each lot shall be financed by the tenderers independently, and separate prequalification documents are to be submitted for each lot.

The applicants themselves or their authorized representatives may obtain prequalification documents from June 9, 1996, onwards and are required to submit completed prequalification documents before 12.00 hours on July 10, 1996 at the following address:

Iran Water & Power Resources Development Company Electrical & Mechanical Department (Mr. Kiani) Building No. 1, sixth floor, No. 212 Nejatollahi Street, Tehran - IRAN Tel: (+981) 21 8801038-9 Fax: (+981) 21 897635

"IN THE NAME OF GOD"

Ministry of Energy, Water & Power Resources Development Co.

INVITATION PREQUALIFICATION OF APPLICANTS FOR 4 X 250 MW UPPER GOTVAND HYDROELECTRIC POWER PLANT

Iran Water & Power Resources Development Company (IWPC) invites applicants to provide information for prequalification of the following parts of the 4 x 250 MW UPPER GOTVAND HYDROELECTRIC POWER PLANT in Khuzestan province of the ISLAMIC REPUBLIC OF IRAN.

1. Project management, supply of auxiliary electrical & mechanical equipment and erection of all main & auxiliary electrical & mechanical equipment (Lot 3).
2. Supply and supervision of erection of 4 No. vertical shaft Francis turbines (net head of 112m to 139m) complete with governors and 4 No. butterfly valves (Lot 4).
3. Supply and supervision of erection of 4 No. vertical synchronous generators complete with excitation systems and switchgear (Lot 5).
4. Supply and supervision of erection of 1 & C and protection systems (Lot 6).

Each lot shall be financed by the tenderers independently, and separate prequalification documents are to be submitted for each lot.

The applicants themselves or their authorized representatives may obtain prequalification documents from June 9, 1996, onwards and are required to submit completed prequalification documents before 12.00 hours on July 10, 1996 at the following address:

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Imported US apples fail to grab big slice of Japanese pie

Worries about food preservatives and fierce competition from local produce have taken much of the shine off US exporters' hopes

Imported US apples which arrived in Japanese shops amid much fanfare in the winter of 1994 have all but disappeared from Japan in their second season.

In the first year after intense US government pressure opened Japan's doors to Golden Delicious and Red Delicious apples from the US, nearly 8,500 tonnes were imported. Since then sales have plunged to 803 tonnes, less than a tenth, in comparison with Japan's apple harvest last year was 963,330 tons.

Jusco, a leading supermarket chain, did not stock any US apples this year while Ito Yokado, a competitor, sold only half the amount it had planned in the December to April season.

"Last year, when the market was liberalised, we carried US apples in our stores so that we could have a wide product range, but this year we did not carry any because Japanese consumers prefer domestic apples," explained Jusco.

Most retailers ascribe the poor performance of US apples to consumer preference. Japanese consumers like their apples sweet. "The season for US apples happens to coincide with that for domestic apples such as Jonah Gold and Ohira, which are very sweet," says Jusco.

Sales of US apples have also been hurt by the popular perception, propagated by consumer groups, that the imported apples have been soaked in preservatives to help them survive the journey across the Pacific.

One consumer, Mrs Keiko Miyaguchi of Saitama, north of Tokyo, says: "My friends shun US apples because they are afraid of the preservatives. Since there are so many Japanese varieties to choose from,

Japanese food imports: eating into the market



Source: Ministry of Finance

importer of agricultural products, with food imports growing last year to \$51.49bn. The US is the largest supplier of food imports, with a 28.8 per cent market share, according to the Japan External Trade Organisation.

US cherries, for example, saw imports jump from 5,814 tonnes in 1991, when the market was liberalised to 12,208 tonnes last year. The level of imports compares favourably with domestic production of 15,300 tonnes last year. Although US Bing cherries taste and look very different from the Japanese variety, which is smaller, sweeter and lighter in colour, they have a distinct advantage in being much cheaper.

US beef has also won wide acceptance, in spite of initial scepticism. In 1987, Mr Tsutomu Hata, then agriculture minister, said Japan could not liberalise beef imports since Japanese have longer intestines than Americans, making it harder for them to digest US beef.

In defiance of Mr Hata's concern, US beef has gone on to capture nearly 30 per cent of the Japanese market, with imports reaching 288,459 tons last year, according to the US Meat Export Federation. Japan now relies on imports for nearly 60 per cent of its beef consumption.

US apples may eventually share the happier experience of other agricultural imports to Japan. But having stumbled in its second season with the market, and faced with a poor image among consumers and stiffer competition from domestic growers, US apples will need more than a marketing blitz to win a larger share of the Japanese pie.

Japanese consumers may be some of the most finicky the world, but they are hardly averse to imports, even of food. Japan is the world's largest

Michiyo Nakamoto

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Murdoch quits race for World Cup TV

By Jimmy Burns

Mr Rupert Murdoch's News Corporation has pulled out of the multi-billion dollar bidding for global broadcasting rights for the World Cup soccer finals in 2002 and 2006.

Neither News Corporation nor Fifa, the world governing body for football, would comment on the withdrawal.

Fifa yesterday published a list of final offers received by yesterday's deadline.

Apart from the withdrawal of Mr Murdoch, the list revealed two surprise additions: Cable TV (Hong Kong) and a combined offer involving Fifa's long-term marketing arm ISL and the German media group Kirch through its share holding in ISPR.

Final offers have also been received from Capital Cities ABC, the subsidiary of Walt Disney, and owner of ESPN, the US cable network programme, the Swiss-based sports company CWL-Lubi, the International Management Group headed by Mr Mark McCormack, and Team, the Lucerne-based marketing arm for the Champions League run by Uefa, the European football union.

According to some media analysts yesterday, one reason behind the Murdoch pullout is the widespread scepticism about the bidding process implemented by Fifa, leading News Corporation to opt to await developments.

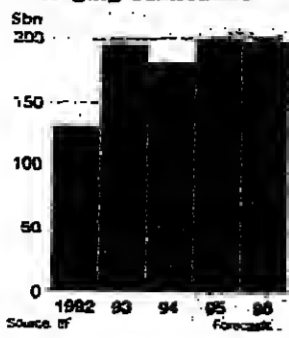
One senior executive closely linked to the offers yesterday said he thought it possible that the bidding process might be opposed by members of Fifa's executive committee when it meets on May 31 to discuss a report on the offers.

One of the objections raised by media groups is that offers are being sought for two world cups during a period when market conditions for broadcasting rights are expected to change substantially.

Meanwhile Fifa yesterday confirmed its refusal of a proposal that South Korea and Japan co-host the 2002 World Cup.

Record \$200bn flows into emerging economies

Private capital flows to emerging economies



By George Graham, Banking Correspondent

Private capital flows to the world's largest emerging economies reached a record \$200.7bn last year, despite the shock of the Mexican currency crisis, according to figures compiled by the Institute of International Finance.

The IIF, a Washington-based grouping of banks and financial institutions, said bond finance for the 31 principal emerging markets had halved to \$22.8bn in the wake of the Mexican crisis.

Bank funding, however, had taken up the slack, while equity investment continued to grow steadily.

Net equity investment rose by 3 per cent to \$94.6bn, and the IIF forecasts net equity flows of more than \$102bn in 1996.

Mr Bill Cline, the Institute's chief economist, said the sustained level of private capital flows was "quite remarkable" considering the test posed to the international financial system by the Mexican peso crisis.

The supply of capital remains plentiful, but borrowers are being cautious; the result is that interest rate spreads paid by Latin American borrowers, which had widened to almost 5 percentage points in the immediate aftermath of the peso crisis last February, have narrowed back to the level of about 2½ points paid before the crisis.

Public and private sector borrowers together have issued more than \$200bn of bonds since 1990, when the international capital markets started to reopen to many emerging economies.

Because many of these bond issues had maturities of five years or less, the number of redemptions will rise sharply over the next few years. That indicates that international bond issues will have to rise sharply over the next two years just to keep net flows of capital constant.

A number of sovereign borrowers, particularly in Latin America, have taken advantage of more favourable market conditions to lengthen the maturities of their bonds.

The average maturity of bonds issued in the first quarter of this year lengthened to 5.2 years, compared with 3.9 years in 1995.

The IIF is forecasting that net flows from private non-bank creditors, principally bond financing, will recover this year to the \$44bn level recorded in 1994. Bank financing, the institute estimates, will fall back to \$50.7bn after 1995's surge to \$83.3bn.

Mr Charles Dallara, the Institute's managing director, said that despite evident problems in the economic

outlook and banking sector of Bulgaria, a default on Bulgarian debt was not a likely event. Nor, if a default should occur, would it be likely to damage other financial markets, as Mexico's problems had done.

"We don't see the potential in 1996 for a debt servicing problem on their Brady bonds," he said, although he warned that economic policy corrections were needed.

"Even if the Bulgarian situation were to deteriorate further, I see little potential for a spillover into other markets."

Tajik fighting splits north and south

IMF loan will come to a country still healing its civil war wounds

When the International Monetary Fund announced a \$22m loan to Tajikistan last week, its government might have been tempted to cheer.

The agreement, which involves an IMF-backed austerity programme, follows a year of difficult negotiations and is a big boost to an impoverished country torn apart by civil war three years ago.

Although it is an important boost for the government's credibility, the IMF's demand for tight budget discipline comes at a time when social tensions and economic rivalries have erupted this week in the north - hitherto the country's one peaceful region.

Demonstrations against the Kulyabi minority from the south, by up to 5,000 people, have been under way since Sunday in northern cities such as Khodjent and Ura-Tyup. The Kulyabis are resented for allegedly taking over shops, houses and government posts from local people.

The north is the only area to have attracted significant foreign investment.

It largely avoided the 1992 civil war - being cut off from the south by mountains - and has a rich supply of cotton and minerals. Zeravshan Gold, a British-Tajik joint venture, started producing gold earlier this year in the north and expects to produce 3.5 tonnes a year soon.

The disturbances are ominous for the republic's 5m population.

So far, investors have reacted calmly to events. Mr Kwon Yeng Rok, a South Korean director of a Khodjent textile joint venture, cheerily dismisses fears of violence. "Common sense will prevail here," he says.

However, the demonstrations reveal the shifting political alliances in the geopolitically sensitive republic.

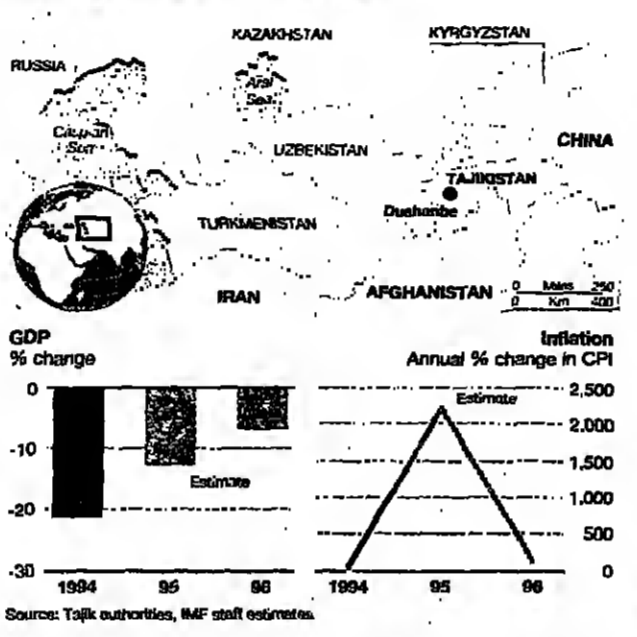
The 1992 Tajik civil war was largely driven by rivalries between different valley regions.

The faction that won the war, and now forms the government, is from the poor Kulyab area in the south. This group has up to now been supported by the Russians, who have 25,000 troops in the area.

But to beat the Islamic and democratic opposition, which was formed from other regional factions, the Kulyabis also allied with Tajiks from the north. This was the republic's rich, industrial area, and dominated the Communist party during the Soviet era.

Over the past year, this alliance has started to unravel, partly because of squabbles over resources such as cotton and the growing drugs trade. The Khodjents are also irritated by the Kulyabis' failure to make peace with the opposition who lost the civil war and are continuing to attack the republic from

Tajikistan: the IMF moves in



Source: Tajik authorities, IMF staff estimates.

bases in Afghanistan. The tension has been fuelled by the economic gap between the rich north and poor south, triggering a migration of Kulyabis into the north.

This week's protests began when a popular local restaurateur in Khodjent was murdered at the weekend. This led to calls for the departure of all Kulyabi officials.

The demonstrators also demanded that local conscripts

no longer be sent south to fight. "Let the Kulyabis go home and clean up their own mess," one demonstrator shouted at the rallies. A truck driver added: "If the Kulyabi don't leave, there will be war."

These wild predictions are probably exaggerated. But local politicians are aware that the civil war started with similar rallies.

President Imomali Rakhmonov, whose rise to power was backed by Russia, is taking the

protests seriously: a local Kulyabi police chief in the north has been sacked, and crack troops have been sent there.

The president has reason to feel nervous. Three months ago, he faced a separate military challenge when two southern war lords revolted. The insurgents were apparently appeased, but their revolt weakened Mr Rakhmonov.

Separate fighting has also flared in south-east Tajikistan, after the opposition invaded the strategic Tajik town of Tavli-Dara. United Nations-sponsored peace talks appear deadlocked.

There is widespread poverty in the south and IMF-backed budget deficit cuts could hit state salaries and benefits.

Western economists insist these problems should ease as the economy stabilises, particularly if the IMF agreement attracts western investment and assistance. The IMF loan will probably be followed by \$55m-worth of assistance from the World Bank.

But Tajikistan's tragedy is that it will be difficult to reform the economy while political instability lingers. As this week's events have shown, it may be equally difficult to solve the political tensions while the country's limited resources are so unevenly spread.

Gillian Tett and Sander Thoenes

G10 recipe for bond defaulters

By Graham Bowley, Economics Staff

The International Monetary Fund should consider lending money to countries which are in default with their bond holders, the Group of Ten leading industrial nations said yesterday.

At present, the IMF lends money in exceptional circumstances to countries in default on commercial bank loans. The G10 said this facility should be extended to countries in default on bonds and other securities in order not to exacerbate countries' adjustment problems in the wake of a Mexican-style financial crisis.

The proposal is one of a series of suggestions by the G10, full details of which were disclosed yesterday, aimed at ensuring a faster and more orderly resolution in the event of another financial crisis such as that in Mexico in December 1994.

Then, the US led a \$40bn support package, which ensured full repayment of bondholders. But the G10 yesterday reiterated its view that in the future bondholders should not expect to be bailed out by governments or official institutions.

Instead it favours a market-led approach to resolving sovereign liquidity crises, in which debtor countries and creditors work among themselves to resolve their difficulties.

Mr Mario Draghi, chairman

of the deputies of the G10, said: "Investors must bear the consequences of the decisions they make and should not expect the international community to rescue them when the next sovereign liquidity crisis comes to a head."

The report rejected as "unnecessary and impractical" far-reaching institutional changes such as applying international bankruptcy procedures in the event of a country defaulting on its debt.

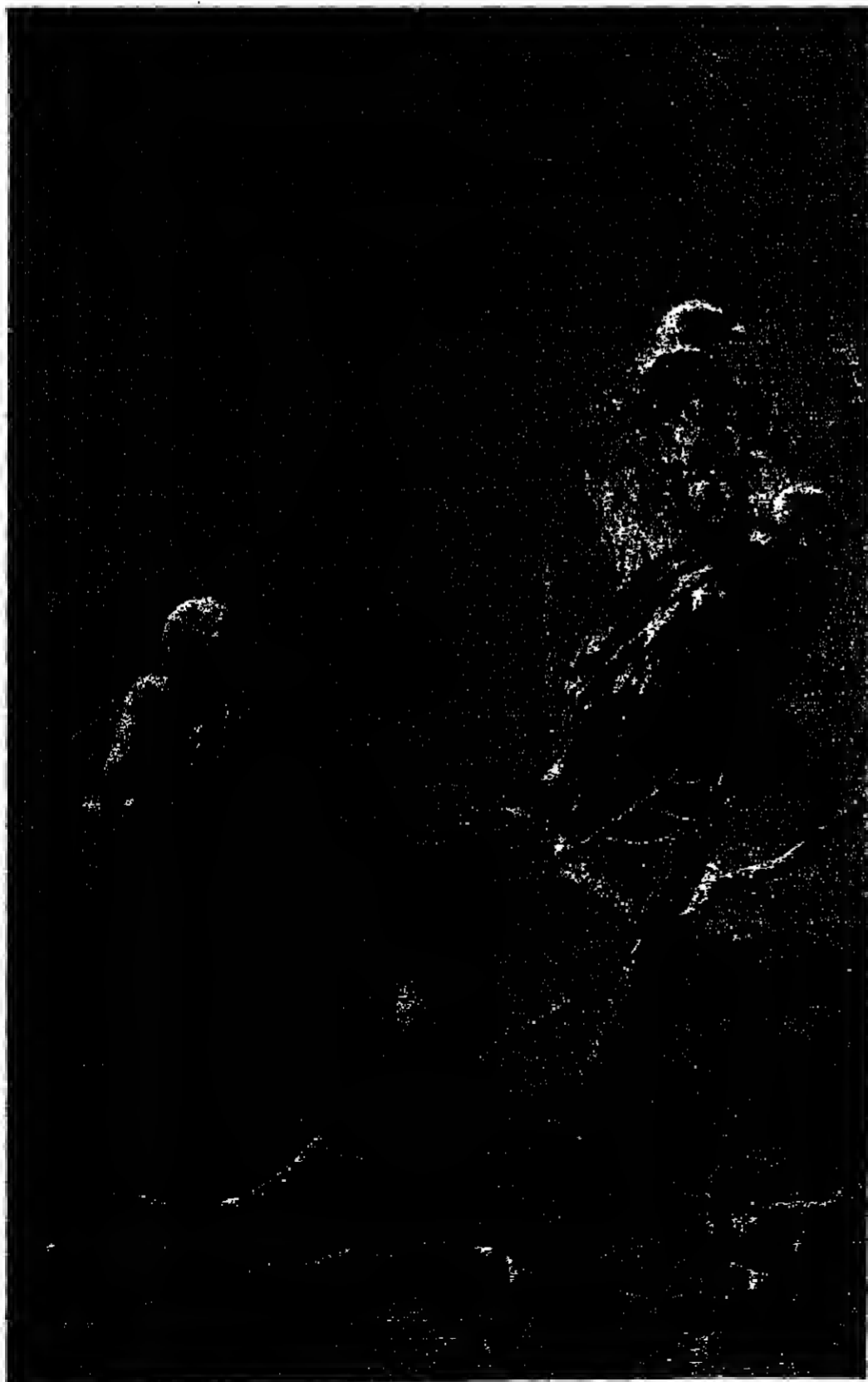
Instead it proposed adding a number of provisions to bond contracts which would "help the resolution of a crisis by fostering dialogue and consultation between the sovereign debtor and its creditors, as well as among creditors."

These provisions would include a mechanism to promote collective representation among creditors. At present, bondholders, which are often numerous and vary greatly, are often poorly represented as one unit.

The bonds might also allow for qualified majority voting. At present, most bond contracts stipulate that unanimous agreement among bondholders is necessary before an agreement with the debtor country can be struck.

Finally, the G10 proposes that bonds might include a sharing clause, which would mean all bondholders would receive a share of any money paid by the debtor country.

Editorial Comment, Page 11



Can you put up a power transmission system without annoying your neighbors? Economic development and environmental conservation are often seen as natural enemies. But by taking environmental considerations seriously early on in a project, ABB keeps any impact to a minimum. For

example in southern Africa, ABB was asked to erect 410 kilometers of transmission lines without disturbing an indigenous colony of Cape vultures. The project was executed with minimum disturbance during the breeding season between April and September. It is somewhat surprising therefore that this neighborly respect did not slow down the project.

In fact planning ahead combined with local knowledge and advanced technology meant the Zimbabwean section of the Matimba Bulawayo interconnection was completed ahead of schedule.

ABB is committed to the core principle of sustainable development. Balancing mankind's needs with those of a delicate environment takes foresight and efficient, ecologically sound technology. This is what ABB offers to neighborhoods all over the world.



NEWS: ASIA-PACIFIC

FT writers profile Atal Behari Vajpayee, who will today be sworn in as PM of India's first ever BJP-led government, and H D Deve Gowda, who emerged as a compromise candidate to head the Janata Dal-led secular-regional coalition

'Softer face of the BJP' gets his chance at last

By Shiraz Sidha in New Delhi

Mr Atal Behari Vajpayee has often been called the "softer face of the BJP".

In a party which prides itself on the strict discipline of its cadres, Mr Vajpayee has never been afraid to voice dissent where it was due.

It is his uncompromising integrity and unblemished record as a parliamentarian for nearly 40 years that makes him more acceptable to the people than his Hindu rightwing party will ever be.

When Hindu fanatics destroyed a mosque in Ayodhya in December 1992, sparking riots and claiming 2,000 lives across the country, Mr Vajpayee was the first to condemn the party's involvement.

The 72-year-old bachelor from Gwalior in Madhya Pradesh is the consensus candidate for the BJP, not because he can speak out against the party's policies, but because there is perhaps no other leader more capable of persuading smaller

parties to join the BJP and cobble together a working majority in the next two weeks.

"One reason he is so acceptable to even those who are against his party, and why his party has never adversely reacted to his statements even if they are sometimes unacceptable, is because there are no ulterior motives behind Mr Vajpayee's statements," says Mr Dinanath Misra, a close

associate of the prime minister-elect.

His persuasive powers combined with a sparkling wit and brilliant oratory have made him one of India's most popular parliamentarians.

"He has had the skill of oratory right from the start," says Mr K.R. Malkani, a BJP leader and his colleague of over 50 years.

"He understands crowd psychology very well and is able to strike an instant rapport with the people."

Mr Vajpayee first entered parliament in 1957, winning the Balrampur Lower House seat as a candidate for the Jana Sangh. Within the party too, he is often called on to

make peace between dissenting sides, and commands more respect than any of the party's other leaders.

Born into a middle-class family, the son of a Hindi scholar, Mr Vajpayee was fired with the nationalistic fervour of the time to participate in the Quit India movement against the British, for which he spent a short spell in jail in 1942. After a brief career in journalism, he

joined the Rashtriya Swayam Sevak Sangh, the parent organisation of the BJP and its allies, to devote himself full-time to social work.

Apart from being drawn towards the highly disciplined Hindu RSS, he had links with the Congress freedom fighters, the Leftist Student's Federation of India, and the Arya Samaj, which propagated a more liberal form of Hinduism than did the RSS.

"It is this plurality that made him suggest we work together as part of a national government in 1991," says a senior Congress leader.

Mr Vajpayee's more moderate stance on Hinduism, the rights of minorities, and on the

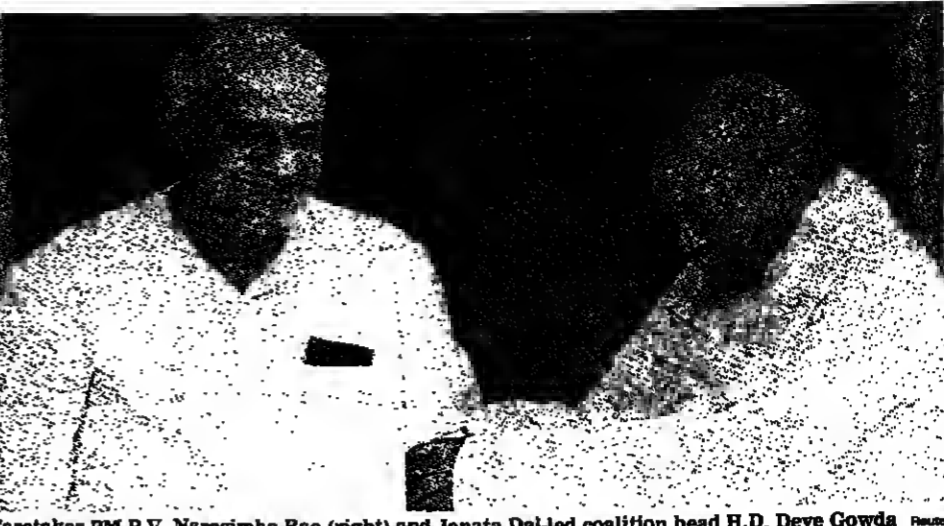
handling of the Kashmir crisis and India's relations with Pakistan, had failed to win the BJP more than two seats in parliament in 1984. In 1989, however, Mr L.K. Advani capitalised on the Ayodhya temple issue to muster support for the BJP.

By 1991, Mr Advani's fiery assertions of Hinduism - the clamour for a Hindu state - and his assurances that the majority Hindu community would not be held ransom by the minority Moslems because they constituted a crucial vote-bank, had won the party enough seats to make it the largest party in the opposition.

The BJP has realised that if it has become the single-largest party in the newly elected Lower House, it is as much because of the disintegration of the Congress party and a lack of options than due to its hard-line Hindu agenda.

"By projecting Mr Vajpayee as their leader, the party has admitted that it moved away from its Hinduism plank and plans to soften its stand against the minorities," a senior BJP MP said.

"We are counting on Mr Vajpayee to be able to gather the support we need to form a government next month. If there is one person who is capable of doing this in the country at this point, it is he."



Caretaker PM P.V. Narasimha Rao (right) and Janata Dal-led coalition head H.D. Deve Gowda

Gowda plays waiting game

By Mark Nicholson

Should Mr H.D. Deve Gowda, prime ministerial candidate of the newly forged alliance of secular and regional parties, eventually win India's highest executive office, he would be the country's first prime minister to speak virtually no Hindi.

Mr Gowda, 63, speaks the Kannada tongue of his native Karnataka, the southern state where he has been a state politician since 1982, after graduating with a diploma in engineering.

Only a few days ago, the man who could lead a 175-seat coalition government, backed "from the outside" by Congress and India's communist parties, said: "I am not a national leader. I am a humble worker;

my area of action will be confined to Karnataka."

Rate could decrease otherwise after May 31 if the Bharatiya Janata party fails to secure a majority in the new Lok Sabha parliament.

India could thereafter be led by a self-proclaimed "son of the soil", a teetotal lifetime politician who still keeps a 20-hectare farm.

"He's very rustic," says a Bangalore-based journalist, "and he doesn't find it necessary to appear sophisticated."

However, behind the sleepy manner lies the mind of an adept politician, well known to be a good administrator, a pragmatist on economic policy who has backed liberalising reforms in Karnataka, and a canny manager of coalitions.

Mr Gowda "does his politics through coalitions," says a commentator.

He began in the Congress party, but stayed with that part of Congress which split to form the present "social justice" Janata Dal. After three years in Delhi as a Lok Sabha MP, he returned home in 1994 to become Karnataka's chief minister. His skill with alliances has strengthened the party there, which returned 15 of the JD's present 43 MPs.

His quiet style has won more friends than enemies, one reason why he became the consensus candidate for the secular-regional coalition. He is well viewed by Mr P.V. Narasimha Rao, whose Congress party is vital to the coalition's chances of surviving as a government.

Asia warned of need to act on water

By Edward Luce in Manila

Asian governments need to take action if the continent is to avert a looming water crisis, according to water experts meeting in Manila yesterday. They should move rapidly towards the "user pays" principle for water and educate consumers that water is a scarce economic good.

The meeting was hosted by the Asian Development Bank, which estimates that 180m urban dwellers and 690m rural people in Asia lack safe drinking water and access to proper sanitation.

Demand for water was likely to double in Asia by 2025, the conference declared.

Governments should therefore act rapidly to create water management systems capable of meeting such an unprecedented explosion of demand.

"To a certain extent, the water crisis has already started," said Mr Peter Rodgers, a water expert from Harvard University.

"What governments must do quickly is educate people that water is not free and that it is a service which must be paid for according to the 'user pays' principle. This will lead to the more efficient use of resources."

According to the ADB, most of Asia's "megacities", urban centres of 10m or more, waste 50 per cent of their water through leakage or theft. Countries which have moved to the "user pays" practice and contracted out distribution of water to private management, such as the Solomon Islands, have cut wastage to about 15 per cent, say experts.

While stopping short of recommending complete water privatisation along British lines, water experts advised governments to contract out water services to the private sector on a "concessionaire" basis and to ensure that consumers pay market rates for water.

Residential and industrial consumers should learn that water was as much an economic commodity as electric power or telecommunications. Nevertheless, governments, some of which devote up to 25 per cent of their capital expenditure to water systems - including dams, irrigation and piping - did not have access to the investment necessary to update Asia's creaky water systems, said experts. Involving the private sector in financing and management of water reforms was vital.

"Asia is not necessarily facing a water shortage but it is certainly facing a crisis of how to manage its water supply and how to fund the modernisation of its water systems," said Mr Paul Mosley, a water expert at the ADB.

"The challenge is to get consumers to pay for what they use and to get the rural sector, which uses up to 80 per cent of total water supply through irrigation, to use water more efficiently."

Laos, for example, which has resources of 66,000 cubic metres of water per head of its population annually, was a much less efficient user of water than Singapore with resources of only 220 cubic metres per head every year, said experts. Because the island state priced water on market-based and transparent lines, residents had an incentive to use it sparingly.

China rules out yuan devaluation

By Tony Walker in Beijing

China yesterday ruled out a currency devaluation this year despite pressures from exporters and an expected slide in its trade balance. "A devaluation of the yuan will not happen," a spokesman for the State Administration of Exchange Control said.

"The prospects for a balance in foreign exchange supply and demand are generally good and therefore the

exchange rate of the yuan will remain relatively stable."

The SAEC spokesman's unusually forthright statement indicates official concern about speculation against the yuan. Beijing has made the stability of the yuan a watchword of recent economic policy. The spokesman pointed to China's healthy foreign exchange reserves, which reached \$90.83bn in March, up \$7.2bn from the end of 1995, as an argument against

the need for a devaluation.

He described a surplus on China's current account this year as "optimistically likely". Therefore, he said, the exchange rate "won't be much pressed to fluctuate".

The SAEC official called on state companies to "make realistic judgments" on the currency's value, saying a devaluation would "damp ongoing efforts by enterprises to improve efficiency and achieve greater competitiveness in

international markets".

China, meanwhile, reported its second monthly trade surplus of the year in April. Exports exceeded imports by \$450m, but China recorded an overall deficit of \$700m in the first four months, with exports down 7.7 per cent to \$38.63 billion from the corresponding period last year.

Imports to the end of April were up 18.1 per cent to \$40.3bn, according to Chinese customs statistics.

Tokyo assurance on rates spurs sharp rise in stocks

By Emiko Terazono in Tokyo

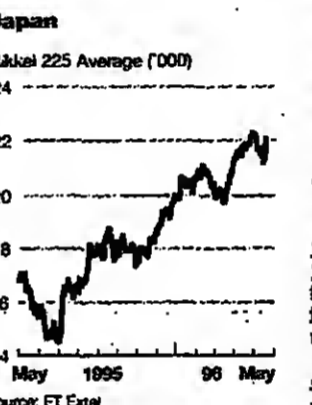
The Bank of Japan yesterday moved to reassure financial markets that its monetary policy remained unchanged, helping to spur a sharp increase in share prices and a rise in the dollar against the yen.

Investors were encouraged by the assurances of interest rate stability. The benchmark Nikkei average rose 254.92, or 3.5 per cent, to 7,245.97, regaining the 22,000 level for the first time in two weeks.

Mr Yasuo Matsuhashita, the central bank governor, said while Japan's economy was recovering gradually it still needed sufficient monetary support. His remarks came as government and central bank officials are trying to ease interest rate worries.

Mr Matsuhashita's comments indicated a more cautious stance on Japan's economic recovery compared with remarks he made last month.

At that time he said that interest rates needed to rise in accordance with an economic recovery which had triggered fears of an early rise in short-term interest rates.



Japan Nikkei 225 Average (1995-1996)

reaction to expectations of rising interest rates. "The rise in the yen and falling share prices are likely to affect companies' plans for capital expenditure and hiring," said Mr Toshio Koyano, economist at Dai-ichi Kangyo Bank.

Meanwhile, Mr Ryutaro Hashimoto, prime minister, joined in the concerted effort yesterday, saying that while the economy was gradually improving, the employment situation remained severe.

Other government officials stressed that the central bank's policy of keeping overnight rates below the official discount rate of 0.5 per cent would remain.

Mr Eisuke Sakakibara, director-general of the Ministry of Finance's international finance bureau, told participants at a seminar that the "market may be misreading the situation if it believes that rates will rise."

Remarks by Mr Sakakibara, called "Mr Yen" by currency traders due to his implementation of dollar strengthening measures last year, prompted selling of the yen. The dollar rose above 110 for the first time since April 26.

Summit boosts Japanese PM

By William Dawkins in Tokyo

A successful US-Japan summit has brought a significant recovery in the domestic popularity of Mr Ryutaro Hashimoto, Japan's prime minister, according to an opinion poll released yesterday.

The survey by the Asahi Shimbun newspaper, not usually a supporter of Mr Hashimoto's conservative Liberal Democratic party (LDP), shows 44 per cent public support for the Hashimoto cabinet, up from 36 per cent in the previous survey in March.

It attributed the improvement to Mr Hashimoto's handling of the summit with US president Bill Clinton last month, when Washington offered to return an airfield on the island of Okinawa to local landowners.

Mr Hashimoto's improved score in the polls increases the LDP's status as the largest

party in Japan's fragmented political world, but means it would again fail to attract a parliamentary majority if the opposition brings off its dream of forcing a snap election.

Consolidation of LDP power is widely seen as good for business, at present enjoying an economic recovery, record low interest rates and rising share prices.

A new LDP government would have to form a coalition either with its existing partners in the left-wing Social Democratic party, or with the centre-right opposition New Frontier Party.

Legally, Mr Hashimoto does not have to call an election until July next year, but some senior LDP politicians believe it would be an advantage to hold a poll earlier, while the opposition's popularity is low.

Over the next six months, the government will have to take several decisions likely to arouse opposition.

First, it needs to obtain parliamentary approval for an unpopular plan to use public money to liquidate bankrupt housing loan companies. Later in the year, it will need to pass judgment on an existing plan to increase sales tax from 3 per cent to 5 per cent from next April. Many LDP politicians would like to delay the tax rise until after an election.

Shortly after taking office in January, Mr Hashimoto was the most popular LDP prime minister in nearly 25 years. But the honeymoon was brought to an end with emergence of the housing loan plan.



Hashimoto: 44 per cent public support for his cabinet

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Singapore acts on property boom

By James Kyng in Kuala Lumpur

Share prices tumbled in Singapore yesterday after the government announced measures to check property speculation and avoid the type of real estate "bubble" which has hit other Asian economies.

The city state's main share index, the Straits Times Industrial Index, fell 43.67 points, or 1.85 per cent, to close at 2,321.05 after an active session.

Leading the decline was the market's property index, which slumped 5.51 per cent.

The government move is expected to end a sustained surge in the prices of private homes, especially those in prime areas.

What Mr Lee Hsien Loong, the deputy prime minister, described as a "speculative frenzy" will certainly be tamed by the measures announced yesterday. A stamp duty of up to 3 per cent will be levied on

all sales of uncompleted residential property. In addition, both sellers and buyers will be required to pay a stamp duty for property sales within three years of purchase.

A sliding-scale tax on capital gains from selling properties within three years of purchase is designed to hit the wealthy harder than the poor and the government will enforce an 80 per cent limit on mortgages.

Residential property in Singapore costs about \$51,000

(US\$714) per square foot at the top end, against about \$81,500 per square foot in Hong Kong.

The blame for skyrocketing home prices has been laid at the door of foreign speculators. But the new measures, which include a ban on Singapore dollar loans to foreigners for residential property purchases, are unlikely to curb foreign buying.

Many of the foreign buyers were wealthy individuals from Indonesia and Hong Kong who needed to borrow little.

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Table with columns: CITIES, Rates from. Lists cities like Amsterdam, Atlanta, Athens, etc. with corresponding rates.

Vertical advertisement on the right edge of the page, partially cut off, mentioning 'Dole up tr camp' and 'Modest for US'.

1550

Late change of tactics Dole cranks up troubled campaign

By Jurek Martin in Washington

The C-Span caption last week perfectly summed up stage one of Bob Dole's campaign, which was to run for president from the Senate.

The words flitting across the political cable channel's coverage informed the viewer the US Senate was voting on "the Dole amendment to the Dole amendment", whatever it might have been.

Yesterday, the presumed Republican presidential candidate conceded he could not run for president from the Senate and certainly not from the demanding position of majority leader.

It was a course urged on him by a growing number of Republicans in and out of Congress, increasingly concerned that if he does not soon start reducing President Bill Clinton's 20-point polling lead then Republican control of Capitol Hill and of governorships and state houses across the country will be at risk this November.

But in distancing himself from his home of 27 years, the last 13 of them as Republican leader in the Senate, Mr Dole, aged 72, is taking an equally big gamble. He is rolling the dice that he can match up favourably in head-to-head battle with one of the most adept electoral politicians this country has seen in many a moon.

As the headline over a New York Times column this week by Garry Willis, the eminent historian and commentator, put it: "One thing, the other doesn't." The article concluded: "Mr Clinton's is an entertaining style, but thoughtful. Mr Dole's is moral but boring. Determined idealists might bet on a boring morality... but who will bet there will be enough idealists?"

deserves preference over Mr Clinton.

That means, in crude terms, contrasting a distinguished war record against the absence of military service, stressing personal rectitude, age and experience over the president's presumed flightiness. White-water included, and pitting conventional small-town conservatism against the sort of big government "tax and spend" liberalism from which Mr Clinton has, at least in part, managed to dissociate himself.

Mr Dole's decision was forced on him by two realities. The first is that Congress, where he hoped to differentiate himself from the president through an ambitious legislative agenda, has sunk into gridlock once more, with Democrats gleefully emulating the tactics Mr Dole himself employed against the Clinton programme in 1994.

The current stalemate, especially over cutting the petrol tax and/or increasing the federal minimum wage, is doing nothing for the reputation of Congress. The transparent "politicking" of the legislature is viewed in the country at large with disfavour, an irrelevance to the real "issues" of healthcare, crime and employment which consume the public.

The second reality reflects this. Mr Clinton's lead is so large, less because of a new national confidence in his abilities but far more because he has succeeded in tarring Mr Dole with the unpopular brush of Speaker Newt Gingrich and his fading radical Republican revolution. At least the majority leader, so the theory runs, can try to make himself free of that particular albatross.

Mr Dole has also taken one other important tactical decision consequent on setting aside his congressional duties. He will not now select a vice-presidential running mate before the party convention in mid-August. An early choice had been considered a live option as a way of generating necessary momentum in the months ahead.

Balaguer likely to determine his successor

The Dominican Republic election may be decided in a run-off vote, writes Canute James

Mr Joaquin Balaguer, who has dominated politics in the Dominican Republic for 30 years, looks set to play a key role in determining his successor as president in today's election.

Public opinion polls suggest that Mr José Francisco Peña Gómez, the candidate of the Revolutionary party, will receive most votes, closely followed by Mr Leonel Fernández of the Liberation party. Mr Peña Gómez, however, does not appear to be able to secure over 50 per cent of the votes, which he needs for an outright win. In that case, he would face Mr Fernández in a run-off vote in six weeks.

The incumbent Reformist party of Mr Balaguer, a blind octogenarian who has served six terms, is split over support for Mr Jacinto Peynado, who became the party's candidate after a bitter and divisive primary election late last year. Mr Balaguer appears to feel that no other representative of the Reformist party apart from himself is worthy of becoming president.

Reformist leaders plan to tell supporters to vote for Mr Fernández in the run-off, to give the 42-year-old lawyer the presidency. Mr Fernández better represents the aspirations of Dominicans, according to a senior ruling party official. Aides to Mr Peña Gómez, who is black, suggest that race is a factor in the Reformists' likely choice of Mr Fernández.

Mr Fernández's victory could prolong the retiring president's influence. But advisers to Mr Fernández say that the Liberation party candidate is his own man, who "will not compromise" on policy. However, the Congress is likely to remain dominated by the Reformist party, and Mr Balaguer this week appointed known loyalists to head the police and the army.

Mr Balaguer was the conservative and pro-US heir to his mentor, the dictator Rafael Leonidas Trujillo, who ran the country from 1930 until he was assassinated in 1961. Pliant legislators allowed him to emulate his predecessor and to rule by fiat. His legacy to the country is in the form of public works - roads, bridges, irrigation works, and the Columbus Light-house, constructed over 30 years and at a cost of \$100m-\$150m, to commemorate the quincentenary of the arrival of the navigator in the Americas.

President Balaguer's retirement from politics, and the calling of the election half-way into his term, follow pressure from the US to reform the politics of the country of 7m people, which shares the Caribbean island of Hispaniola with Haiti.

The president retained office in the 1994 election by a majority of less than 1 per cent. The Revolutionary party said that the presidency was stolen from Mr Peña Gómez, and that there was widespread mismanage-



Liberation party men: former president Juan Bosch and Leonel Fernández

ment and clear fraud in the voting. Foreign observers to the elections agreed, and the US and the European Union pushed for an early election.

There is little difference in the policies being advocated by the three leading contenders. They are all moderates, although the Revolutionary party was strongly social democrat until eight years ago, while the Liberation party was started by Mr Juan Bosch as a Marxist organisation, but

now argues for a market economy. They all support an acceleration of the deregulation of the economy grudgingly started by Mr Balaguer. He has been against the privatisation of state-owned companies, claiming that they serve a "public good".

The priority for his successor will be a rehabilitation of the national electricity grid, probably through some degree of privatisation. Blackouts lasting up to 12 hours have been

caused by the inability of the state-owned power company to generate enough, while private suppliers, claiming they are owed millions of dollars by the company, have cut off supplies.

The candidates have also told Mr René Prival, the new president of Haiti, that they intend to improve relations. A meeting last month of Mr Balaguer and Mr Prival followed many years of strained relations between the neighbours. Although no evidence has ever been presented, Mr Balaguer remains convinced, say some aides, that the US intends to force the eventual unification of the Dominican Republic and Haiti.

The election is taking place amid indications that the economy - based on tourism, sugar, gold and nickel - continues to improve, following expansion by 4.8 per cent last year, a faster rate than that of the previous year. Mr Hector Valdez, central bank governor, has forecast expansion of 5 per cent this year, and inflation below 7 per cent, which is the rate for the 12 months to the end of March.

The central electoral council said it had tried to prevent a repetition of the fraud and disorganisation which troubled the last election. "Fraud-proof" paper has been used for ballots, the council said. There are fears, however, that more than this might be needed to guarantee a fair result.

Canada toughens stance on Quebec

By Bernard Simon in Toronto

Canada's Liberal government has sought to regain the initiative in the simmering debate over Quebec independence with a series of moves designed to remind the French-speaking province that secession is likely to be neither smooth nor painless.

But the new strategy could carry high risks. Mr Lucien Bouchard, Quebec's separatist premier and by far the province's most popular politician, has accused Ottawa of creating "a prison from which we cannot escape". The federal moves also threaten to deepen divisions over tactics among pro-Canada forces within Quebec.

The latest skirmish follows several months of relative calm on the Quebec front in the wake of last October's independence referendum, which the federalist side won by a razor-thin margin of only 54,000 votes.

Mr Bouchard, who took over as premier in late January, has concentrated on Quebec's economic problems. He has brushed off pressure from hard-line separatists to capitalise on their momentum with another quick referendum.

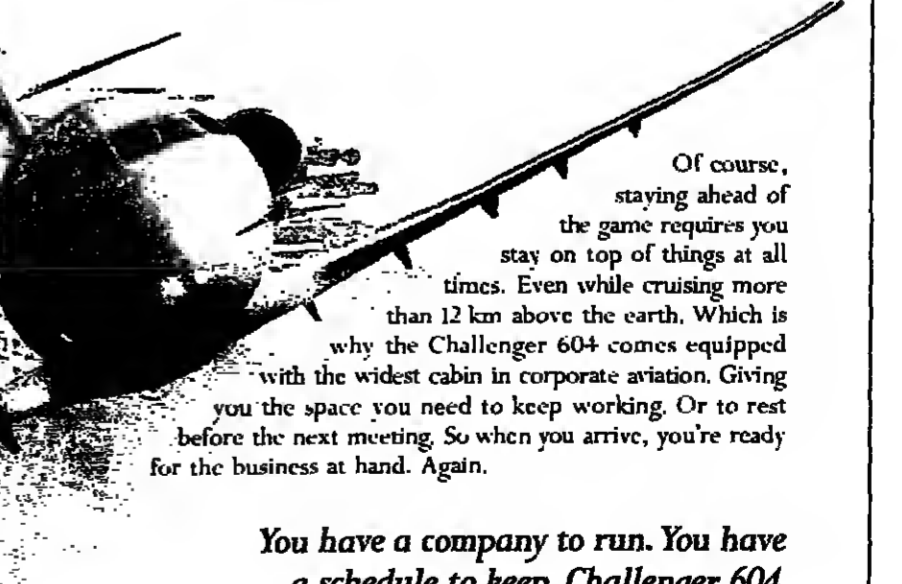
However, the constitutional issue has been reignited by the federal government's decision to join a legal challenge to secession brought by Mr Guy Bertrand, a maverick Quebec City lawyer.



Monday, March 25.
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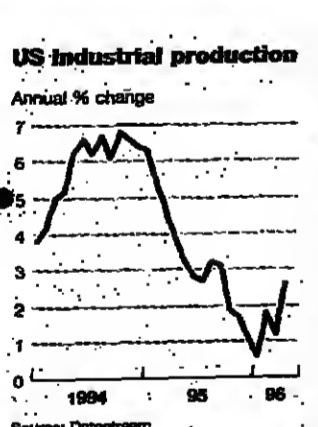


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AMERICAN NEWS DIGEST

Modest growth for US industry



Prospects for an early rise in US interest rates receded further yesterday after figures for industrial output reflected modest economic growth and little underlying upward pressure on inflation.

Markets shrugged off the data, on the heels of figures on Tuesday showing only a 0.1 percentage point rise in the "core" consumer price index.

Ecuadorian bank taken over

The Ecuadorian central bank is set to take over Banco Continental after the superintendency of banks removed the president and principal shareholder, Mr Leonidas Ortega was removed after indications that the bank had misused loans by the central bank and had realised "fictitious" capital increases.

Internet bill welcomed

US telephone companies and online service providers yesterday cautiously welcomed a compromise bill to regulate copyright violations on the Internet, as a House of Representatives subcommittee began the task of preparing the complex legislation for a congressional vote.

NEWS: UK

Baring denies greed by bank chiefs

By John Gapper, Banking Editor

Mr Peter Baring, the former chairman of the merchant bank that collapsed last year...

to their annual bonuses. "I do not think we were greedy, stupid or idle," Mr Baring told the committee.

Despite being pressed, he refused to say whom he thought most to blame among senior managers.

He admitted that Mr Leeson's arbitrage trading on Singapore and Osaka futures exchanges appeared to "defy gravity" but the bank had been accustomed to making big profits in operations that involved relatively little trading risk.

He was worried by Mr Leeson's reported profits just before the collapse because "it seemed to me that it was improbable that the level of profitability could persist."

Teachers threaten strikes over pupils' behaviour

By John Authers in London

Many harsh winds are blowing through the British public sector. They include tight pay policies; the introduction of private finance into public projects; and alleged under-funding.

The National Association of Schoolmasters' Union of Women Teachers (NASUWT), the UK's second largest trade union for teachers, has twice in the past month threatened to strike if its members are forced to teach pupils expelled from school for disruptive behaviour.

In both cases the pupils had been rebuffed by an independent appeals panel which had reviewed the evidence against them. But the teachers, who refused to accept these decisions, won on both occasions, with the municipal authorities eventually allowing the boys to be taught on their own, away from the schools' mainstream classes.

Both cases were attended by heavy press publicity as the boys and their families were identified and their personal histories pored over in public.

But they also identified broader trends. The strike threats were part of the campaign by the NASUWT, which is generally conservative and organised along the lines of a traditional craft union, to overtake the membership of the larger but less disciplined NUT, which is more left-wing and prone to internal division.

Mr Nigel de Gruchy, the NASUWT's general secretary, took a controversial line last year when he said: "If society has a choice between kids being out of school and nicking cars, or in school assaulting teachers and children and disrupting lessons, then it should choose the former."

The cases also followed evidence that a growing group of pupils, mainly boys, were failing to gain anything from their education.

In 1993-94, the most recent year for which figures are available, a total of 10,624 pupils were excluded from their schools indefinitely for disciplinary reasons. This might be linked to the growing proportion of pupils leaving school at 16 without qualifications, which rose from 7.0 per cent in 1993 to 8.1 per cent in 1995.

The opposition Labour party has already labelled this the "most important" cases highlighted the growing trend of violence in schools. Last December, Philip Lawrence, head of a London school, was stabbed to death by teenagers outside the school gates. The case aroused national grief.

It was not an isolated incident. According to a survey for the NUT, 60 per cent of schools had been vandalised by intruders in the past year while 10 per cent had been subject to arson attacks.

The Department for Education and Employment set up a working group into school security in the aftermath of the Lawrence tragedy. The government will allow schools to bid for the funding necessary to set up closed circuit television systems, while police will have the right to enter schools without the head's permission to search for offensive weapons.

The Labour party, as well as the governing Conservatives, have pledged to introduce stronger disciplinary sanctions including better funded "pupil referral units" (usually known as "six bins") for those who have been excluded, and powers to exclude children for longer.

ICL consortium wins \$1.5bn Post Office contract

By Michael Cassell and Andrew Adams

The government yesterday stepped up its war on benefit fraud with the award of a contract worth more than £1bn (\$1.52bn) to a consortium led by ICL for linking Britain's 20,000 Post Offices by computer.

Mr Peter Lilley, the social security secretary, said the introduction of benefit "swipe cards" to replace order books and girocheques, would help "beat the fraudster".

He claimed the system would transform benefit payments and save £150m a year in fraudulent claims.

The computer network, due to be complete in two to three years, will be the largest of its type in Europe, annually handling 1bn payments collectively worth about £60bn.

The contract is being held by the UK Treasury as a critical advance for the private finance initiative, the government's flagship policy for boosting the role of the private sector in public investment.

The project will be phased in nationwide, with all types of social security benefits being transferred to the new computerised system.

It is one of the largest projects yet agreed under the PFI, although severe delays in the contract negotiations have been a source of controversy.

The project, announced on the day that the House of Commons social security committee called for tougher action against benefit fraud, was well received when unveiled by Mr Lilley at the National Federation of Sub-Postmasters annual conference in Eastbourne.

Discussing concerns over the fate of many small post offices, heightened in recent weeks by speculation that the government may revive plans for Post Office privatisation, Mr Lilley said the computer network would help maintain a viable nationwide chain of outlets offering a wide range of customer services.

Mr Richard Dykes, managing director of Royal Mail, said the computer system would be the "single most important boost to the Post Office network in living memory".

Pathway, the winning consortium, includes ICL, the UK-based company owned by Fujitsu of Japan, Grobank, de La Rne, the security printing company, and An Post, the Irish Post Office.

Defence links set to become closer after Chirac visit

By Robert Peston and John Kampfner at Westminster

British involvement in a joint arms procurement agency being set up by France and Germany is likely to deepen after talks in London yesterday between President Jacques Chirac of France and Mr John Major, the UK prime minister.

Both leaders backed the first meeting as a great success, with Mr Major insisting that the "relationship between Britain and France is extremely close at the moment" and Mr Chirac summing up their negotiations as "a real dialogue".

However neither attempted to gloss over their sharp differences on movement towards a single European currency, as Mr Chirac put pressure on the UK to sign up for the project.

In response to the warnings of Mr Chirac for France, Germany and the UK to develop the arms purchasing agency, Mr John Major said that in principle he supported such a move. The idea is that the three countries should work together when making substantial military purchases, in the expectation that this will deliver savings.

The UK agreed in March to work through the agency on an initial contract for the purchase of a multi-role armoured vehicle. Mr Major stressed in a press conference that the two countries had "positive and very detailed co-operation, in defence in particular".

However, Mr Chirac made it clear that in respect of European Union policy, and especially European monetary union, there were sharp differences between the two countries.

In a speech to the joint Houses of Parliament, Mr Chirac acknowledged the British government's concerns but said he remained determined that a single currency must be introduced as scheduled in January 1999.

Britain had "complete freedom of choice", but he urged it to look more to the benefits of a single currency than to the disadvantages. "France wishes Britain to be present in this great endeavour, that is if you consider it in your national interest," Monetary union, Mr Chirac said, was "a very ambitious project, full of uncertainties but full of promise."

It would produce more jobs, greater cohesion and give Europe a stronger global role. The new euro currency would match the dollar on world markets.

"France will meet the demands [convergence criteria] and is determined to meet the deadline," Mr Chirac said. Mr Chirac said France was looking to the UK to play a full part in determining the shape of the inter-governmental conference and beyond. Both countries shared a "common destiny" at the heart of Europe.

In the press conference, Mr Chirac said that "you cannot have the future of Europe built without a strong British presence and with Britain being heard". A government minister described Mr Chirac's speech as "strong on anglophilia but with a little dash of menace."



President Jacques Chirac of France addressing members of both Houses of Parliament at Westminster yesterday



Mr John Major, the UK prime minister, and Mr Jacques Chirac, the French president, in London yesterday

● A decision by a future British government to join a single European currency would lead to "the biggest transfer of power since the English civil war," Mr John Redwood, the unsuccessful challenger in last year's Conservative party leadership election, said last night.

In a debate at Warwick University sponsored by the Financial Times, Mr Redwood said the economic benefits of monetary union were outweighed by the loss of sovereignty and obligations towards poorer regions of the European Union.

Sir Leon Brittan, EU trade commissioner responded by saying that the only threat to European integration was Britain's "lack of self-confidence". He said Eurosceptics were seeking to mask a desire for complete withdrawal from the EU with demands for abolition of the common agricultural policy and common fisheries policy. "There is not the slightest chance of our partners agreeing to that kind of agenda."

Mr Jacques Chirac, French president, speaking about the beef issue in London yesterday, said: "I think the British government has done everything to convince the commission and the EU of the need to have a plan which in the long term and without risk restores faith in beef."

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Mr Franz Fischler, the European commissioner for agriculture, said he was "optimistic about a positive outcome" since "substantial progress" had been made yesterday. "The meeting was suspended because further discussions were needed."

Mr Keith Meldrum, the British government's chief veterinary officer, said he was "very optimistic about Monday. We had a good meeting."

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Two weeks ago he reminded investors that the government held a "golden share" in both generators and by his statement last week that he was dissatisfied with the level of competition in the industry.

Mr Lang has always said he would make decisions about changes in the industry's ownership "on their merits" and in light of consumer interests. Now he has rapidly rewritten the rules of the game in the power industry. Three weeks ago he went against the advice of the Monopolies and Mergers Commission and of his own officials when he blocked National Power's agreed bid for Southern Electricity.

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Minister accused on IRA convictions

By Michael Howard, Home Secretary

Mr Michael Howard, the home secretary, was yesterday accused of being "directly and personally responsible" for failing to take adequate steps to prevent the fiasco in which convictions of Irish Republican Army terrorists involved in at least 12 bombing campaigns on the UK mainland have been thrown into doubt. Forensic evidence was found to be contaminated.

Mr Howard revealed in the House of Commons that their convictions could be in doubt after scientists at the government's forensic laboratory discovered traces of a key ingredient of the Semtex explosive used by the IRA in a machine used to analyse samples from bomb scenes and suspects.

The opposition Labour party suggested that the home secretary's failure to establish a body to monitor forensic laboratories, despite considerable pressure from leading judges, had resulted in inadequate scrutiny. The Royal Commission on Criminal Justice in 1993 called on the government to introduce a council to report to the Home secretary on the achievements, efficiency and standards of forensic laboratories. A year later, Lord Taylor, the Lord Chief Justice, said that such a council was "urgently needed". James Harding, Westminster

The number of people without work and claiming social security benefits fell modestly in the UK last month. After adjusting for normal seasonal effects, unemployment fell by 3,200 last month to a five-year low of 1,937,500.

The Office for National Statistics said that a number of special factors had limited the size of the decline. The statistics office estimates that unemployment is still falling at a trend rate of about 10,000 a month as it has done for the past six months or so. Unemployment fell by 5,500 among men and rose by 2,500 among women, leaving 7.8 per cent of the labour force unemployed in April - unchanged on the previous month.

The number of people unemployed for six months or more rose for the second successive quarter in the three months to April, but statisticians said seasonal factors were masking a continued downward trend. Some 56.3 per cent of the unemployed had been without work for six months or more in April, the lowest share for four years. The number of people unemployed for a year or more was 9,700 lower in the three months to April than in the three months to January, taking the total figure to 806,300 or 36.3 per cent of the overall unemployment count.

Increases in average earnings are pulling further ahead of rises in taxes and prices, holding out the prospect of improvements in the fabled "feel-good factor". The Office for National Statistics said yesterday that average earnings rose by an underlying 3% per cent in the year to March. It also revised up the figure for the previous month by a quarter-point to the same figure. The average family needed an increase in pre-tax income of around 3 per cent over the past year to protect their living standards against tax and price rises.

The unexpected increase in earnings growth surprised some City of London economists, but the Treasury brushed it aside as a small increase from a historically low level. Earnings growth tumbled at 3% per cent throughout the second half of last year.

Fund managers reported a sharp fall over the past year in the confidence of their trustees and directors in derivatives. The findings came in a survey by Derivatives in Fund Management, a trade publication, in collaboration with Coopers & Lybrand, the accountants, which polled 50 companies which manage a total of \$740bn.

Only 24 per cent of respondents reported that directors and trustees took a positive attitude towards derivatives compared with 50 per cent when the survey was last conducted in 1994. The survey also found that a large majority of those polled - 81 per cent compared with 73 per cent in 1994 - had reviewed controls in the last 12 months.

The Direct Marketing Association is calling on the government to suspend the Post Office's monopoly on letter delivery if postal workers go ahead with a strike. The call comes amid renewed pressure from senior members of the governing Conservative party for the privatisation of the Post Office, and indications that it might be included in the party's election manifesto.

The CWU postal workers' union is currently balloting on strike action over pay and conditions - a result is expected on June 2. If the action goes ahead, it would be the first national postal strike since 1988.

The DMA represents companies which carry out direct marketing, a large proportion of which is by post. In 1995, about 154m orders for goods and services were placed in response to direct mail or mail order catalogues. The Post Office has a monopoly on the delivery of letters costing less than 21 to post.

Ernst & Young, the UK accounting firm, is to centralise its insolvency practice. About 375 staff and 30 partners will now be organised nationally instead of within local practices. "The changes to our structure are designed to enable us to serve the banks better," said Mr Alan Bloom, head of insolvency and rescue services. Last year revenues from insolvency were around £20m (£45.5m) at EY compared with \$45m at the height of the recession. EY has picked up a string of key appointments in insolvency in recent years - including Baring's, Canary Wharf, and British and Commonwealth.

EU meeting suggests beef ban will be eased

Financial Times Reporters

The European Union is expected to ease the worldwide ban on British beef products on Monday after European veterinarians yesterday made progress on agreeing the conditions the UK government had to meet before the embargo was lifted.

The EU's standing veterinary committee suspended until Monday talks on plans to lift the EU-imposed ban on British gelatine, tallow and semen. After an all-day session, only a few countries, including Germany and Austria, remained clearly opposed to easing the embargo.

Asda, the UK's fourth largest retailer, banned all beef from other countries from its stores yesterday in a high-profile move to support the British industry. It came as J.Sainsbury joined other supermarkets in saying it would boycott abattoirs involved in the government's culling scheme. Deborah Hargreaves writes.

Mr Archie Norman, the Asda chief executive, said: "British beef is the best and safest in the world and our shoppers want to buy it." He told the industry to "stop squabbling and whingeing and get on with giving customers what they want."

intense pressure from some Conservative MPs to take some form of retaliatory action, and options will be discussed at today's cabinet meeting.

But Mr Douglas Hogg, the agriculture minister, is expected to argue that ministers should avoid raising the political temperature before Monday's crucial EU agriculture council. There is understood to be growing support in the British government, however, for a move to ignore the EU ban on selling British beef to third countries.

Mr Franz Fischler, the European commissioner for agriculture, said he was "optimistic about a positive outcome" since "substantial progress" had been made yesterday. "The meeting was suspended because further discussions were needed."

Mr Keith Meldrum, the British government's chief veterinary officer, said he was "very optimistic about Monday. We had a good meeting."

Mr Jacques Chirac, French president, speaking about the beef issue in London yesterday, said: "I think the British government has done everything to convince the commission and the EU of the need to have a plan which in the long term and without risk restores faith in beef."

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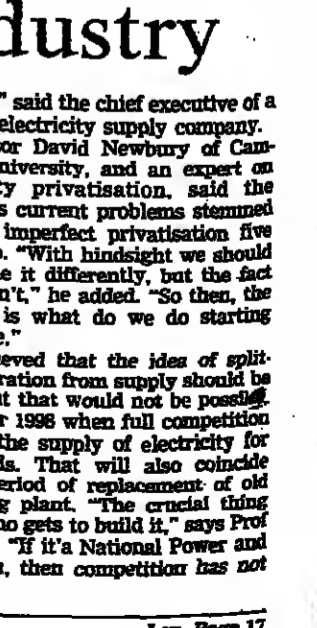
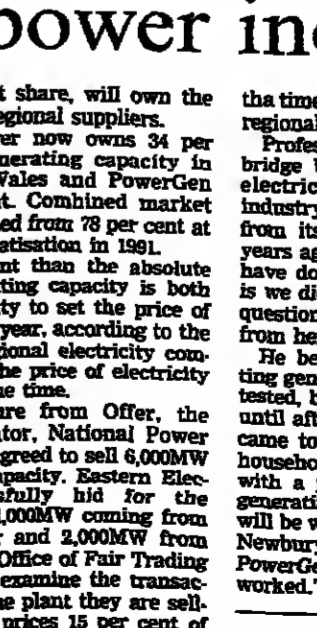
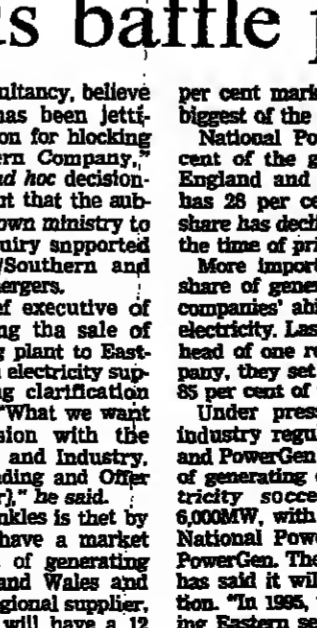
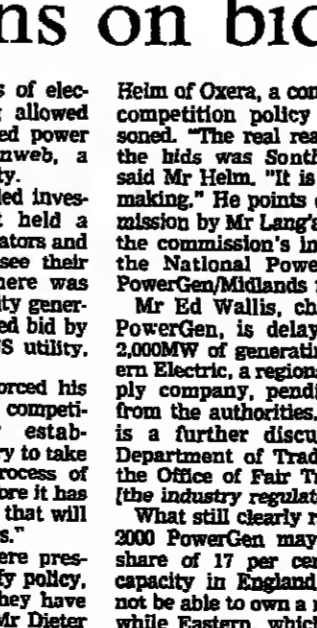
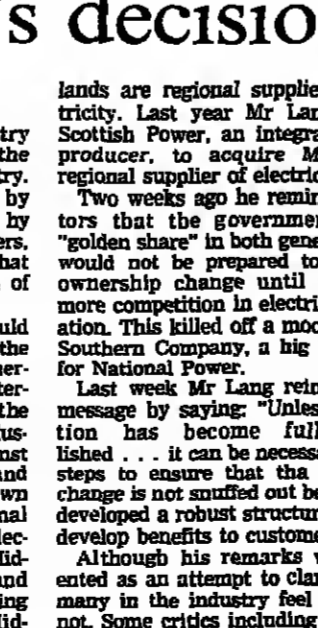
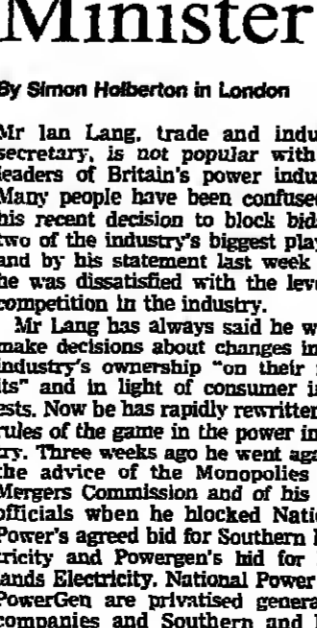
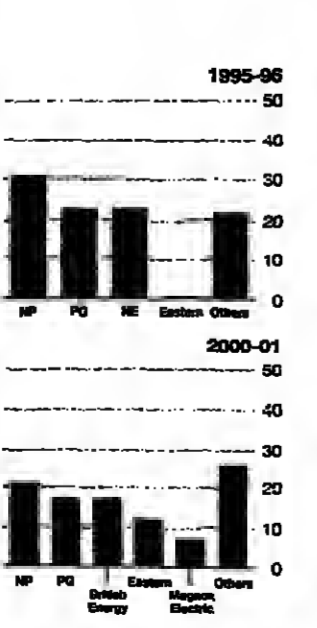
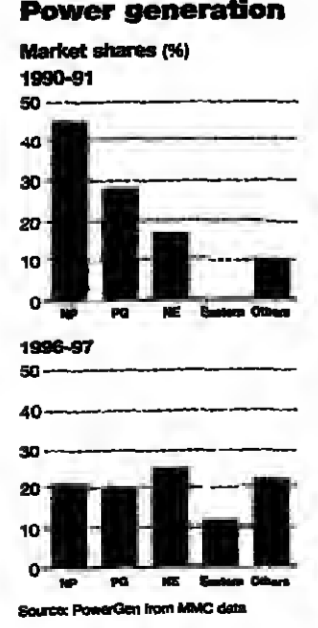
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Source: PowerGen from IAHG data

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Cinema/Nigel Andrews

Dangerous flirtations

- KIDS**
Larry Clark
- BLUE IN THE FACE**
Wayne Wang
- MONEY TRAIN**
Joseph Ruben
- ROUGH MAGIC**
Clare Peeploe
- FRANKIE STARLIGHT**
Michael Lindsay-Hogg

Films which stand up and cry "Controversy!" Instead of provoking resonant debates often get lost in the quick-response crossfire between detractors and defenders.

After months of delay by our censor, preceded by hrouhahas in America, Larry Clark's tale of sex and drugs among the underaged, *Kids*, can finally be seen on British screens. Or can it? We are not talking about Warner's refusal to show the film in any of its UK cinemas (Plenty of less pompous distributors are left to screen it.) We are asking whether *Kids* the movie really exists any more, if it ever did, as a separate entity from *Kids* the furore.

Clark found fame in America as a photo-chronicler of deprived and mixed up youth. In works like *Tulsa* and *Teenage Lust* he recorded their faces and figures in a bleak, probing, for some voyeuristic style that carries over now to his first feature.

The kids in *Kids* are mostly so zonked that they stagger from bed to bed, party to party, drug tryst to drug tryst, while the camera pursues them in shakiest cine-vérité style. We begin with a long sucking kiss, followed by sex action, between two teenyboppers. We end with a drugged, HIV-infected girl (Chloe Sevigny) - *fuite de meilleures* the central character - being unresistingly "raped" by a casual party guest. In between the film squeezes in any number of candid vignettes (or purrrent according to your viewpoint), while affecting to expose the characters' dangerous flirtations with love and death.

Some of these vignettes seem more gratuitous than others. Clark loves watching kids urinate, for example, though it is unclear what social or moral dysfunction this represents. Clark also spends loving minutes on a swimming pool scene in which we and the bathers ogle a wet-kissing session between two girls.

The film's script is credited to the majestically named Harmony Korine, a real 18-year-old street kid. Yet the most notable characteristic of *Kids* is that there seems to be no script at all. Accompanied by the kind of intrusive soundtrack that used to signal artistic integrity in 1960s radical documentaries - traffic noise, street babbie - the plot shuffles haphazardly between street scenes and interiors, between action and talk, throwing in much stream-of-consciousness dialogue that sounds to my suspicious ears largely improvised.

Whenever Clark slows the film for a moment of sociological solemnity, things get worse. We begin to discern the dramatic hollowness of the whole enterprise. A pivotal scene in which a leading character is told she has AIDS is so stiltedly shot and performed that it could come from a government health commercial.

It suggests that Clark cannot direct actors except when they are left to direct themselves. It also suggests that his interest is less in pausing to question the Gadarene rush of modern youngsters towards self-destruction than in getting on with the next graphic image, with the next exciting view from vice-and-sensuality chitrrps.

The most dangerous sentence in the English language is "We can do you two for the price of one." Why can they? What seem are they pulling and what quality or qualities are they skimping?

In Wayne Wang and Paul Auster's *Blue in the Face* they are skimping on wit, invention and purpose. Made back to back with the duo's viewer-friendly *Smoke*, that blithe comedy of clear stores and pipe dreams, *Blue* is set in the same corner tobaccoist in Brooklyn, flung open as before to all sorts of strays by owner Harvey Keitel. But the



'Kids': a Gadarene rush of youngsters towards self-destruction via sex and drugs

film was made as an afterthought to its precursor and feels like one.

Rashly, the cast list has been flung open too. Wang and Auster fill their unscripted yarn feast with every passing show-biz celebrity from Roseanne to Madonna, via Jim Jarmusch, Lily Tomlin, Lou Reed and Michael J. Fox. These all pretend to have spilled in off the street with their woes, jokes and anecdotes; which is some what like asking us to believe that the folk on Oscar night have just tumbled by accident into the Dorothy Chandler Pavilion.

After *Smoke* the wit level plummets from ten to one and a half, with Roseanne notably ghastrly as a loud wife wanting to escape to Las Vegas. ("Escape, escape," we urge.) The movie would be unthinkable without Keitel, who must have wondered if his flagrant play would not be a lot more thinkable without it. *Money Train* is another

sequel of sorts, and another sort of calamity. After the springheeled smartness of *White Men Can't Jump*, Woody Harrelson and Wesley Snipes re-team as two policemen pursuing a serial killer - yes, another one in modern cinema's unrelenting procession - through the New York subway system.

The dialogue is largely of the "You go that way, I'll go this way" variety. Meanwhile the plot itself goes nowhere. The film won't be in the US for a brief outbreak of copycat killings involving fuel squirted and ignited through ticket windows. Despite public protests Columbia refused to withdraw the film, probably rightly; though taking into account its dim box office performance they may have wished they had never released it in the first place.

Clare Peeploe's *Rough Magic* takes its title from Shakespeare, its plot from James Hadley Chase and its style

from too many sources to count. Everyone is chasing everyone else, with murder-witnessing magician's assistant Bridget Fonda showing a fine pair of heels to a fine pair of heels (Russell Crowe, Jim Broadbent) as she flees to Mexico to find justice, to encounter love and to escape the creeping corruption of post-war Republican America. At least I assume this last theme, though tokenly raised, is why we have a glimpse of Nixon's "Checkers" speech on TV.

A talking dog, a man who turns into a sausage and a girl who vomits out her heart are just three of the items worth issuing customer warnings about. The film tries to be playful and postmodern. But as with this British director's last and marginally better film *High Season*, the final impression is of over-anxiety: of a movie wanting to please the intelligentsia while keeping the popcorn-chewers on board at the same time.

In a grim week *Frankie Starlight* competes with the grimmest. It sounds like a film Werner Herzog should have made. Hopping from longitude to longitude, he might have looped some communicable magic around the tale of a poet-midnight born to a moment of joy between an American sailor and a French girl (Anne Parillaud) during the second world war. Later he is raised in a mystical old Ireland, where stargazing, verse-writing and minor miracle-working are all on the existential menu.

The script tries to cull the good bits from Cbet Raymo's novel *The Dork from Cork*. But any film that can jettison that title for its anodyne movie replacement has no sense of wit or humour. Michael Lindsay-Hogg vacantly directs while Gabriel Byrne and Matt Dillon (as a "Well, jeez" cliché American) are among the acting talents embarrassedly squandered.



Derbble Crotty: riveting

Theatre/Sarah Hemming

Dysfunctional family life

Imagine a play written to commemorate the centenary of a maternity hospital and you certainly would not anticipate *Portia Coughlan*. Marina Carr's strange, bleak, haunting play commissioned by the National Maternity Hospital, Dublin, and now moved from the Abbey Theatre to the Royal Court. Written from the very spot where lives begin and families are born, the play broods on death and loss and on the poisonous nature of family life at its most destructive.

Carr takes the sort of dark, bloody knot that is the basis of many a Greek tragedy and transplants it to rural Ireland. Portia Coughlan is one half of twins - the remaining half, since her brother, Gabriel, drowned when they

were both 15. But now, aged 30, Portia is far from over her death. She seems obsessed, possessed even, by the spirit of her dead twin, egged on by memories of him to despise her rich, crippled husband, fine home and three sons. She haunts the edge of the river where he lost his life, conducts self-destructive affairs and turns the same fierce loathing on everyone in her life - including herself.

It is clear from the outset that Portia, half in love with death, is drifting fast towards disaster. Gradually, it becomes clear that her fate has long been mapped out, that she is living out the legacy of a terrible family secret. Meanwhile, all these around her seem unable to prevent her self-destruction. Carr portrays a

small, ingrown community and a family so dysfunctional that everyone is rancid with grief or bitterness and any encounter turns into a drought. It is a profoundly atmospheric play and sucks you into Portia's pitiful, half-living state of mind. But it remains very much on one note and some of the characters are under-written. While at times the play reminds you of Lorca, it also sometimes veers perilously close to *Cold Comfort Farm*. As yet another character appears who is either on the make, on the bottle or on the game, you begin to long for some sane figure to walk on stage and give everyone a good slap - most of all Portia.

Garry Hynes' moody, sepulchral production, staged against a surreal,

glittering background to represent the water that lures Portia on, does not always help. But Marina Carr can certainly write. She also comes up with several marvellous characters, all excellently played here: Portia's squeezed-empty husband (Sean Rocks); her grief-raddled, weak father (Tom Hickey); and her tart-with-a-heart aunt (Stella McCusker) - and she creates some deliciously black scenes and wicked one-liners. Derbble Crotty, meanwhile, is riveting as Portia: ashen-faced and touse-headed, she blazes with energy and despair yet, with her plant body language, somehow looks like a rag doll that has been carelessly buried away.

It is a bold, unsettling play, cleverly structured and driven by fierce rage. Somewhere along the line it loses you, but there is no doubt that Marina Carr is a playwright to watch.

Continues at the Royal Court, London SW1 (0171-730-1745).

Music in London/David Murray

Sunday on the South Bank with Claude

You might think that Debussy stands in no need of rediscovery. Are not *L'Après-midi and La Mer*, the orchestral *Nocturnes* and *Images* and his string quartet, as well entrenched in the repertoire as any music since the 1890s? Somehow, though, we hear much less now of his smaller-scale works, especially the rich trove of songs and piano pieces, in which much of the best of him is to be found.

On Sunday Roger Vignoles, one of our most admired accompanists, set out to redress the balance. He had devised "a day-long Debussy experience" in the South Bank's Purcell Room. In five sessions we heard 30-odd songs from early to late (out of a total of perhaps 90), 11 piano pieces from all the main sets, the three late chamber sonatas and some extra bonbons.

The little hall was sold out, and there was general delight - among those who got in. It was the third or fourth time this season that the Purcell Room has proved too small to contain the eager audience for something of great interest. We hadly need a middle-sized venue on the South Bank.

Vignoles himself introduced all the songs and chamber sonatas with apt observations and Roger Nichols did as much for the piano music. But these were not really pedagogical sessions: the music was the thing, and Vignoles had rounded up some capital musicians to perform it. The outstanding ones were French - the baritone Francois Le Roux, the wonderfully accomplished young soprano Veronique Gens - or at least French-Canadian: the brilliant verve of Jean-Guilhem Queyras in the cello sonata marked him instantly as a performer we want to hear again and again.

Le Roux sang the late song, triptychs (after Mallarmé and Villon, truly visionary stuff) with all the subtle, cultivated authority that they require. Miss Gens' liquid, unforced delivery was enchanting in the early songs, perhaps a touch too languid - more rhythmic

grip would have been welcome; but she and Vignoles gave a luminous account of the *Chansons de Bilitis*, so breath-stoppingly erotic that (as Vignoles told us) Debussy was anxious to be sure that their first interpreter was under 20, and would therefore not understand them.

Peter Donoboe's solid, uncompromising pianism was a mixed blessing in the piano music. There was a seriously interesting idea or two in almost every piece, and moments of real finesse; but his style can be hefty, and sometimes was, where Debussy's never is. I was perhaps disproportionately irritated by his opener, "La soirée dans Grenade": Debussy's meticulous pedal-markings for the remote, rapt introduction are surely designed to preclude just what Donoboe did, which was to hold the pedal down to the floor and make a broad, pseudo-Impressionist smear of it all.

Philip Dukes and Emily and Catherine Beynon were mellifluous and well-tuned in the sonata for viola, flute and harp. There are moments of sudden brightness and *élan* in this music that they have not identified yet. In Debussy's last work, the violin sonata, the greatly talented Stephanie Gonley wielded a smallish but (something about her posture and the angle of her bowing-arm signals that it will be a smallish tone, even before she starts playing) - but also such imagination, pounce and sprunk that we hung upon every phrase.

One minor caveat about this whole, scrupulously planned sequence: why include Debussy's one painfully embarrassing song, the mawkish "Noel des enfants qui n'ont plus de maisons" of 1916? It was an understandable response to Boeckx brutalities in Belgium, but it is the sole piece of the composer's maturity that one fervently wishes never to hear again. Never mind; the programme was crammed with rewards, many of them new to many of the audience, and we were heartily grateful for it.

Plymouth wins the RSC

The RSC has selected Plymouth as the location of its new residency. The RSC is seeking £150,000 in sponsorship to ensure that it can hold its traditional educational and outreach workshops in the city.

The company caused a shock last year when it announced that it was quitting its London home at the Barbican for the six summer months from 1997. Director Adrian Noble said the RSC wanted to tour more, to bring its plays to the people in the regions and abroad.

It received many approaches from cities eager to play host. Fourteen venues were visited: a short list of three - Norwich, Cardiff, and Plymouth - was studied in depth, and Plymouth, in the drama starved south west, won out.

A package of 12 plays will be presented, with four Shakespeare productions at the Theatre Royal, four works from the Stratford Swan season at the Pavilions leisure complex, and four from the

Other Place at the small Drum auditorium. The RSC is seeking £150,000 in sponsorship to ensure that it can hold its traditional educational and outreach workshops in the city.

The Theatre Royal is a successful theatre and the local council is financially supportive: box office receipts are likely to approach the 93 per cent capacity the RSC achieved this year at its other regional residency, Newcastle.

The company will visit Plymouth after Newcastle, where it will now play its five week season in September-October. In effect the summer at the Barbican will not be replaced. There will be the usual RSC seasons at Stratford on Avon, and more touring in the autumn and winter. The actors will no longer be expected to make a two year commitment to the RSC, and their work load will be less hardscrabble.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

AMSTERDAM
CONCERT
Concertgebouw
Tel: 31-20-5730573
● Nederlands Kamerorkest: with conductor Philippe Entremont and pianist Andrei Gavrilov perform works by Mozart and Schoenberg; 8.15pm; May 18, 19 (2.15pm)

BARCELONA
EXHIBITION
Fundació Joan Miró
Tel: 34-3-3291909
● Alain Fleischer. Photographs: this exhibition of photographs by Alain Fleischer forms part of the Primavera Fotográfica. After studying literature at the Sorbonne, Fleischer became fascinated by the world of films, where he was to work professionally and more or less uninterruptedly since making his first feature film in 1968. His photographic work demonstrates the artist's desire to avoid limiting himself to a single artistic discipline. Coinciding with the exhibition is a cycle of Alain Fleischer films

is being shown; to Jun 16

BERLIN
CONCERT
Philharmonie & Kammermusiksaal
Tel: 49-30-2614393
● Berliner Symphoniker: with conductor Ganga Francis and pop group Gang of Wraith perform works by Mozart and Middelster/Francis/Willing; 8pm; May 18

OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Martha oder Der Markt zu Richmond; by Von Flotow. Conducted by Hans Hilsdorf and performed by the Deutsche Oper Berlin. Soloists include Amanda Haiginson and Friedrich Molsberger; 7.30pm; May 19

BOSTON
EXHIBITION
Museum of Fine Arts
Tel: 1-617-267-9300
● Lithography's First Half Century: The Age of Goya and Delacroix: In celebration of the 200th anniversary of the invention of lithography by Bavarian actor and playwright Aloys Senefelder, the exhibition examines lithographs by artists such as Delacroix and Goya. Works by lesser known artists and prominent artists not usually associated with the medium are also displayed; to Jul 7

CAPE TOWN
DANCE
Opera House Tel: 27-21-215470
● Raymond: a choreography by Norman Furber to music by Glazunov, performed by the Capab

Ballet and The Cape Philharmonic Orchestra. Soloists include Lee, Joubert and Hodges; 8pm; May 17

COPENHAGEN
DANCE
Det Kongelige Teater
Tel: 45-33 14 10 02
● Maurice Béjart Ballet Lausanne: perform Maurice Béjart's choreographies L'Art du Pas de Deux and Firebird; 8pm; May 17, 18

HELSINKI
DANCE
Opera House Tel: 358-0-403021
● Helsinki Ballet: perform the choreographies Etudes by Lander to music by Rissager, Forgotten Land by Kylian to music by Britten and The Second Detail by Forsythe to music by Willems; 7pm; May 18

LAUSANNE
EXHIBITION
Fondation de l'Hermitage
Tel: 41-21-3205001
● Carlier, Splendour of Jewellery: exhibition of a selection of items from the Carlier Collection. The display retraces the evolution in the Carlier style from its beginnings in 1847 through to today; to Jun 16

LEWES
FESTIVAL
Glyndebourne Opera Festival
Tel: 44-1273-812321
● Glyndebourne Festival Opera: this year's edition of this prestigious annual opera festival, initiated by John Christie and his wife, soprano Audrey Mildmay, features 74

performances of six operas: Handel's Theodora, Barg's Lulu, Tchaikovsky's Eugene Onegin, Rossini's Ermione, R. Strauss' Arabella and Mozart's Così fan tutte. The London Philharmonic continues as the festival's resident orchestra, playing for all performances except Theodora, for which the Orchestra of the Age of Enlightenment returns; from May 17 to Aug 25

LONDON
CONCERT
Barbican Hall Tel: 44-171-6388891
● The Royal Philharmonic Orchestra: with conductor Marek Janowski and pianist Peter Jablonksi perform works by Sibelius, Grieg and R. Schumann; 7.30pm; May 18
Queen Elizabeth Hall
Tel: 44-171-9604242
● The Nash Ensemble: with conductor Daniel Harding, soprano Catherine Dubosc, pianists Yvonna Loriod and Ian Brown, violinist James Clark, clarinetist Michael Collins and cellist Christopher van Kampen perform works by Debussy, Ravel and Messiaen; 7.45pm; May 17

EXHIBITION
National Gallery
Tel: 44-171-7472885
● Velázquez and Bacon: Paintings of Popes: the loan of Velázquez "Portrait of Pope Innocent X" from the Doris Parnhill Gallery provides the opportunity for a unique confrontation. Over a period of more than 20 years Francis Bacon painted a series of images derived from Velázquez's masterpiece. Four of these pictures are in British collections and now for the first time these are shown with the Velázquez

portrait that inspired them; to May 19

MADRID
EXHIBITION
Fundación la Caixa
Tel: 34-1-4354833
● El grupo CoBra en la colección del Stedelijk Museum de Amsterdam: exhibition of some 80 paintings and sculptures by members of the CoBra artist group. The works come from the collection of the Stedelijk Museum in Amsterdam; to Jun 30

NEW YORK
AUCTION
Sothebys Tel: 1-212-606-7000
● European Furniture from the Estate of Lita Annenberg Hazen: Mrs Hazen maintained elegant homes at the Pierre Hotel in New York and in Los Angeles. In these residences the French and Italian Neoclassical furniture was often upholstered to coordinate with the paintings in her collection; 10.15am & 2pm; May 17

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Jeanny Lee: the pianist performs works by Tchaikovsky, Paganini, Gounod and Liszt; 8pm; May 17

PARIS
EXHIBITION
Centre Georges Pompidou
Tel: 33-1-44 78 12 33
● Picabia 1922: this exhibition is a reconstruction of the exhibition organized by Francis Picabia, one of the pioneers of Dada, in the Galerie Daimau in Barcelona in 1922. The display shows some 30 works,

including gouaches and water-colours; to Jul 1
Musée d'Orsay Tel: 33-1 40 49 48 14

OFFENBACH: exhibition examining the success of composer Jacques Offenbach (1819-1880) at the end of the 19th century. The exhibition comprises 250 objects from public and private collections, including paintings, sculptures, costume models, posters, photographs, ceramics and pieces of scenery, introducing Offenbach, his collaborators and interpreters; to Jun 23

ROME
CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Orchestra dell'Accademia di Santa Cecilia: with conductor Daniele Gatti and soprano Amanda Roccroft perform works by J.S. Bach, Beethoven and Mahler; 7pm; May 18, 19 (5.30pm), 20 (8pm), 21 (7.30pm)

STOCKHOLM
OPERA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7214300
● Madama Butterfly: by Puccini. Conducted by Niklas Willén and performed by the Royal Swedish Opera. Soloists include Sara Olsson, Inger Blom, Carina Morling and Esalas Tewolde-Berhan; 7.30pm; May 18
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FT Business Morning
10.00
European Money Wheel
Norstop live coverage until 15.00 of European business and the financial markets
17.30
Financial Times Business Tonight
CNBC:
09.00
Squawk Box
10.00
European Money Wheel
18.00
Financial Times Business Tonight



Peter Martin

In, out, shake it all about

As businesses contract out more of their non-core activities they are being forced to confront the question of what exactly they exist to do

On the face of it, J.P. Morgan's \$2bn, seven-year deal to transfer half its computer staff to outside suppliers is a clear case of outsourcing.

No it isn't, says Peter Miller, co-head of global technology at Morgan. In fact, he says: "This isn't 'out-sourcing'."

His rejection of the label doesn't just stem from the way it has become unpopular shorthand in the US for wage and staff cuts. It also reflects the debate that surrounds the issue in big companies as they re-examine what they do - and why they exist.

Outsourcing is usually understood to mean that a company is getting out of some part of its business, says Mr Miller, "and we're not getting out of the technology business - it's so important that we're asking how can we do it better than anyone else."

Whatever it calls it, Morgan is handing over responsibility for about a third of its \$1bn of annual technology spending, and 900 staff, to a grouping of computer service and telecoms companies. Over the life of the contract, it expects to save 15 per cent of the money it would have spent on this technology.

More important, says Mr Miller, the bank will benefit from its suppliers' depth of expertise, freeing its own people to focus on the areas most important to creating competitive advantage.

Others have reached the same conclusion. The Outsourcing Institute, a trade body in New York which is less coy than Morgan about terminology, says that US outsourcing spending will reach \$100bn this year. Some \$40bn of that is in the information technology area. Another \$30bn is in distribution, property and plant management, and other "blue-collar" areas. The remaining \$30bn comes under administration, personnel, customer service, finance, sales and other "white-collar" activities.

In the UK the government yesterday handed responsibility for computerising welfare benefits to a private-sector

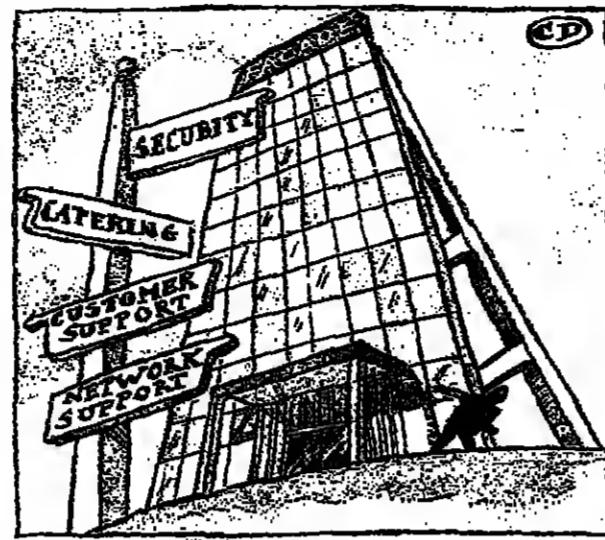
consortium. And in the private sector a forthcoming study by PA Consulting* suggests that outsourcing is no longer confined to areas such as catering, security or computers. A survey of several hundred British companies shows them already outsourcing a quarter of their budgets for what they define as their key business processes.

As it becomes easier to outsource huge areas of what were once seen as a company's essential activities, managers have to decide what exactly their businesses exist to do. Frank Casale, executive director of the Outsourcing Institute, sees this process as the reinvention of a century-old business model.

A hundred years ago American industry led the way in shifting from an "atomistic" model of business, in which there were many collaborating layers of production and distribution, to one dominated by huge vertically integrated companies.

The new giants came into existence to solve the coordination problem: they were the most effective way of ensuring reliable production and distribution of goods to the new national markets. They were also cheaper: they squeezed out the costs of the many individual component producers, sub-assemblers, wholesalers, brokers and intermediaries previously needed. By operating nationwide, they gained huge economies of scale.

Outsourcing represents perhaps the first real change to this model. In principle, it allows the creation of the "low corporation", one in which a small core of strategists supervises services bought in from external designers, contract manufacturers, third-party sales and distribution networks, and suppliers of accounting and administrative services. More realistically, it allows a giant company to offload much of the burden of its size by outsourcing less important activities but retaining tight control



of those activities vital to its competitive success.

Is this new model a response to genuine changes in the real world - or is it merely a fad, a rhetorical cloak for the breaking of implicit contracts with staff? Too often, it is true, the outsourcing is motivated by a desire to escape the costs of existing staff, as in the case of the US airline which replaced check-in clerks earning \$19 an hour with contracted-in workers earning \$9 an hour. Or it is a response to past management failure: a quick way of fixing a problem that should have been addressed before.

But the impetus behind outsourcing goes beyond such short-term considerations. Arguably, it is in part a corollary of a past preference for gigantism that is hard to justify on economic grounds. As business gets more complicated, the need to shed responsibility for peripheral activities gets stronger. "You can no longer afford to passively own and operate a mailroom, a human resources department, a benefits management team or desktop computing support," says Mr Casale.

This belief goes along with an increased emphasis on financial measures that reveal how much value the company

is adding. And it is made feasible by a number of practical developments: telecommunications and computers, obviously, but also legal and contractual frameworks such as agreements on what level of services will be provided. Most important, perhaps, is a supply-side phenomenon: the growth of an industry of outsourcing companies. In the oil industry, where there have long been independent exploration and drilling contractors, outsourcing is a natural part of doing business. Now the same trend has come to other industries.

But how does the new business model solve the problem the old one came into existence to tackle, co-ordination? Answer: with difficulty. The PA Consulting study shows that, while most companies are satisfied with their outsourcing agreements, they are unhappy about how their suppliers are committed to a formal alliance, with a central management team and a lead contractor.

A broader solution to the co-ordination problem is to think in terms of outsourcing processes rather than functions. John Little of PA Consulting

says: "Instead of saying, let's outsource our fleet of delivery vehicles, companies say: what we should be outsourcing is our delivery process, including all the functions that go with that, such as information technology, vehicles, etc."

The solution to these practical problems, the consultants say, is to think big when planning outsourcing. Devote top-level management resources to the issue, make outsourcing decisions for strategic rather than tactical reasons, go for a few important relationships you can influence rather than lots of short-term ones you end up walking away from. The grander the approach to outsourcing, however, the more pressing the fundamental question: what is the company's real role? What is it, in other words, that it would not consider contracting out?

The PA Consulting study shows only three activities that more than 35 per cent of the companies in the survey regarded as "core": business strategy, information technology strategy, and new product development. Everything else - including research and development, customer handling and finance and accounting - was regarded as non-core by two-thirds of the people surveyed. Even that measure may underestimate the extent to which some institutions are prepared to consider outsourcing. One UK commercial bank quoted in the PA study says: "We distinguish between what is core and what is strategic. An outsourced activity may be core but not strategic."

Whatever definitions you give to it, the process of outsourcing is forcing managers to confront an issue they have not had to think about for a century: What is their company's real role? It may throw up some uncomfortable answers.

1996 International Strategic Sourcing Study, PA Consulting Group, London. Tel: +44 171 730 9000

BOOK REVIEW - William Dawkins

THE WEIGHT OF THE YEN: By R. Taggart Murphy
Norton, \$25, 352pp

Dangerous paradox of Japanese power

The intimate financial and economic links between the US and Japan are a source of instability that could wreck their alliance unless they are tended more carefully.

That warning might sound extreme, but it is a conclusion of this cogent examination of the economic contradictions in the US-Japan relationship by R. Taggart Murphy, a former Tokyo investment banker.

He claims the price of financial interdependence has been heavy for both sides: on the US side, a high budget deficit and weakened industrial base; in Japan, a weakened financial system and the continued subordination of individuals to the state.

The seeds of this situation were sown soon after the election in 1980 of Ronald Reagan as US president. Since he failed to make inroads into public spending, he was forced to resort to higher government borrowing to keep his promise not to raise taxes.

Japanese investors were encouraged by their government to buy US treasury bonds - as were Tokyo's financial institutions, which were advised it would be in the national interest. The finance ministry was happy to ensure that the money was lent, to support the US economy's appetite for Japanese exports.

At first, it was a cosy arrangement, beneficial to both sides. Japanese companies earned dollars by selling to the US. Their banks and insurance companies lent those export earnings back to the Americans. The dollar rose, ensuring an exchange rate profit for Japanese investors.

But this interdependence created a paradox. It could work only as long as Japanese companies continued selling to a fast-growing US economy. Yet their very success was eroding corporate America's strength.

"By propping up American buying power for a decade and

a half, Japan's administrators managed to side-step a contradiction at the heart of their methods: that they depended upon the security and monetary arrangements provided by a foreign country whose strength was being undermined by Japan's success," says Murphy.

The 1985 Plaza Accord was an attempt to redress the balance by bringing down the dollar and so helping US companies' export competitiveness. But it created all too well, by creating the conditions that hastened the Japanese willingness to lend to the US.

The post-Plaza rise of the yen and the Bank of Japan's decision to pump cash into the economy helped fuel the explosion in Japanese asset prices that was the bubble economy of the 1980s. And when that burst, Japan's willingness to prop up the US economy with its assets failed to sell dollar assets to cover domestic losses and the flood of money back to Japan gave a further boost to the yen that worsened the recession.

This forced companies to sell dollars even faster until the US currency sank to its record low of ¥79.75 in April last year, threatening to push Japan into a full-scale depression. Alarmed at the prospect of a Japanese economic melt-down, the US and Japanese central banks intervened to bring the dollar back to its present level of about ¥105. At this level, Japanese exporters can again make profits and the domestic economy has recovered enough to suck in imports.

But Japanese institutions are still in too much financial trouble to heed finance ministry exhortations to buy US government bonds. In fact the latest balance of payments figures show they have been selling US securities since last September and continue to do so.

"The dirty little secret of the mid-90s [US] recovery is that it depends more than ever on Japanese components and Japanese money," Murphy claims.

That assertion, along with his belief that US policymakers stood by while "strategic industry after industry was lost to foreigners", is perhaps a bit hard on the US. Its software and semiconductor industries have shown remarkable ability to establish global leadership and US car companies have taken giant strides to improve their competitiveness.

But the book is a stimulating and valuable reminder of the instabilities of an economic relationship on which much of the rest of the world turns. It also offers several prescriptions for reducing the risks of US-Japan financial turbulence.

For example, Murphy urges the US to remember that economic negotiations with Japan have to be handled with extraordinary delicacy. The Tokyo government has historically had no central direction, so pressure needs to be applied judiciously and on many different fronts.

The fragmentation of Japanese politics in recent years has made it more difficult to spot who is really in charge and Japanese politicians find it even harder than their US counterparts to keep promises. Accordingly, Washington needs to be more patient and serious in its Japan policy. Murphy suggests - and to improve the quality of the advice it gets.

Japan, for its part, needs to build up a political system with a clearly accountable centre of power. Murphy hopes that more responsive and intelligent policymaking will help it resolve contradictions such as its need for access to export markets while maintaining a "cartelised mercantilist economic regime at home".

Sadly, policymakers on both sides of the Pacific show little sign of moving in the direction suggested by Murphy. Perhaps they should read his book.

The Weight of the Yen is available from FT Bookshop by ringing +44 181 964 1251 (post and packing £1.50 in Europe)

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873-5938 (please set fax to "fine"). e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

UK gas regulator's proposals lack consistency

From Mr Philip G. Rogerson.
Sir, Commenting on Ofgas's initial proposals for the 1997 British Gas price cap, the British Gas (Lex) (May 14) said that "the regulator's plans lack intellectual robustness".

Consistency is a quality of any intellectually robust argument. Ofgas has in fact just rejected almost every major recommendation made in August 1993 by the Monopolies and Mergers Commission regarding the valuation of Transco and legally approved by itself in

September 1994: full current cost accounting depreciation, a uniform discount on all assets, a regulatory asset base in line with the net asset value for accounting purposes, but a reduced cost of capital to reflect the market asset ratio of the market value of the company to the replacement value of the whole of the company's assets.

The only significant MMC recommendation Ofgas has accepted is the end-1991 date when the market asset ratio of 60 per cent was established.

Ofgas, however, has undermined this ratio by suggesting that at the end of 1991 the ratio should value non-regulated activities at net book value while regulated business should bear the whole of the difference between market and book value.

A regulated company and its investors have to exist in the context of earlier MMC and regulatory decisions which apply to it and not to other companies.

In the case of Transco, this is the 1993 MMC report and the

Ofgas formula review of 1994 which led to the Transco formula applying from October 1994 to March 1997.

The British Gas Transco pricing methodology, which followed from the MMC report, was legally approved by Ofgas only 18 months ago.

Philip G. Rogerson, British Gas, The Adelphi, 1-11 John Adam Street, London WC2N 6HT, UK

Good houses for the RSC

From Mr Adrian Noble.
Sir, David Murray, in his article "Mixed signals from the RSC" (April 29), writes, "the fact is that the RSC has sometimes found itself playing Shakespeare to a one-third/full Barbanan Theatre, which is not good business by anybody's standards".

His facts are wrong. Our Shakespeare productions at the Barbican for the season 1995-96 played to 77 per cent capacity. Our Shakespeare productions for 1994-95, 78 per cent of capacity. Since they opened, our current productions, *Romeo and Juliet* and *Twelfth Night*, are playing to an average of 88 per cent of capacity.

David Murray's misinformation puts an unfair slant on the article.

There is a very important debate to be had about the national identity of the UK's national classical theatre company, about how much time it should spend in London and what responsibilities it has to the nation as a whole. The context of our decision to re-shape our *modus operandi*, however, was also review, nothing to do with a fall in demand for our Shakespeare work in London, as I hope you will see the figures show.

Adrian Noble, artistic director, Royal Shakespeare Company, Barbanan Theatre, Barbican Centre, London EC2Y 8BQ, UK

City's mental limbo on single currency

From Mr John Stevens MEP.
Sir, Your leader "The City says Emu" (May 9) appears astonishingly superficial in the light of the documents just distributed by the Bank of England which highlight the Square Mile's lack of preparation for the advent of the single currency, whether we are in or not. The bond markets may well be convinced the single currency

is coming. The leadership of too many City institutions still seem to believe it will probably never happen.

This is, perhaps, an understandable reaction to the increasingly bizarre domestic political debate, but it could certainly prove more fatal to UK interests than either a clear preference to stay out or to join.

It is precisely this sort of

mental limbo, in which even informed opinion has landed itself on this issue, that we could fail to prevent, say, settlement and clearance arrangements, seriously prejudicial to our interests, being made by the French and the Germans.

John Stevens, 39 St James's Place, London SW1A 1NS, UK

Sad that bondholders' action necessary

From Mr Jonathan Stone.
Sir, So executives at ING Barings ("Bondholders issue writs" May 11) think our claim is eroding sympathy for the bondholders.

It would be interesting to know what survey they have undertaken to support this view, and whether they themselves formerly had any sympathy for the bondholders. Certainly they have never

written to us expressing their sympathy, let alone offered bondholders any recompense out of their substantial and unearned bonuses.

After a year of such silent and useless sympathy, and deafening silence from the distinguished houses responsible for the £100m issue, we have decided that sympathy now needs the helping hand of the law.

It is a sad reflection on the way business is done and supervised in the City these days that it has come to this.

Jonathan Stone, chairman, Barings Bondholders Action Group, c/o S.J. Berwin & Co, 222 Gray's Inn Road, London WC1X 8BB, UK

BSE: impossible to separate infected material

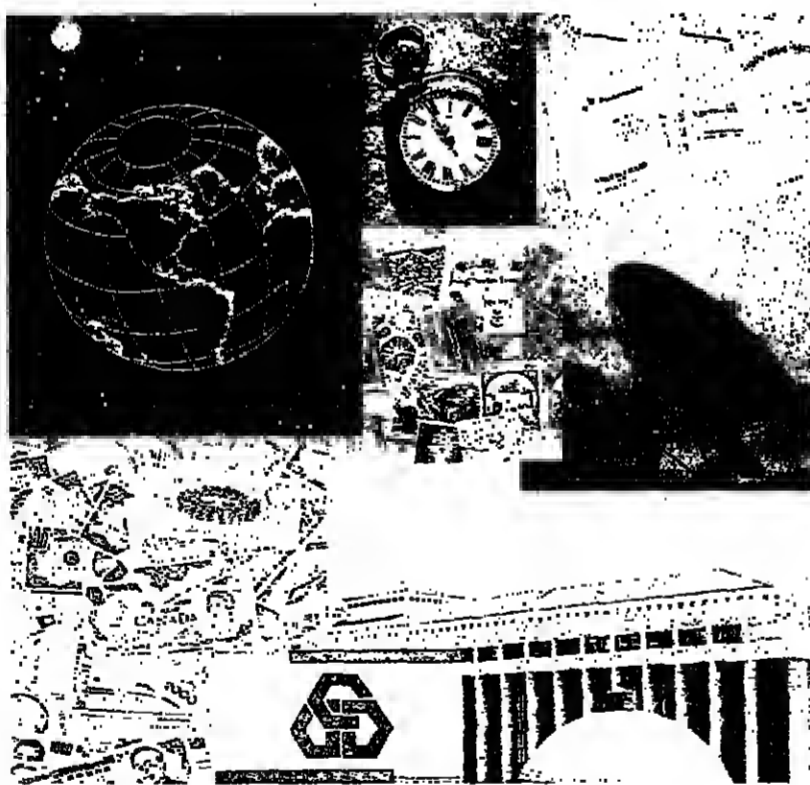
From Mr Fergus Poncia.
Sir, I refer to Douglas Hogg's letter (May 9) on the government's stance on BSE. I can understand that banning mammalian protein from ruminant feed would eliminate the possibility of an infective agent being transmitted from one to the other, but surely the most likely source of infective material is derived from the cattle themselves - in other words, all ruminant-derived

protein should be banned from ruminant feed.

The incidence of the cross-contamination at the rendering plants between mammalian and ruminant protein does not give me any confidence that the renderers have been, or are able, to separate infective from non-infective material. How else could an infective agent have continued to be spread after the so-called ban upon

infected spinal and brain material was implemented several years ago? If the renderers have not been at fault, one most likely possibility of continued infection is via the maternal line, in which case all offspring of infected cattle should be destroyed, not just old ones.

Fergus Poncia, 208 Tonbridge Road, Wateringbury, Kent, UK



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FINANCIAL TIMES

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Thursday May 16 1996

Time to apply some force

The Anglo-French defence relationship blows hot and cold with alarming frequency. Eighteen months ago the two countries agreed to co-ordinate their air forces at a very convivial summit at Chartres; nine months later there were harsh words when Britain chose to spend £2.5bn on US rather than French anti-tank helicopters. Now it is all smiles again, with the two countries stressing their parallel defence goals. A symbolic deal is being given by British Aerospace and Matra, which have agreed to merge their missile businesses after three years of negotiation.

The arguments in favour of closer Anglo-French defence ties are strong. Both are medium-sized nuclear weapons states which by dint of history hold permanent seats on the UN Security Council. Both have armed forces capable of acting outside Europe. Each has difficulty stretching its defence budget around its ambitions.

In defence procurement, the reasons for greater integration are equally clear. Common procurement, particularly if Germany is included, would reduce the duplication of development spending and give longer production runs, cutting the unit cost of weapons. Cheaper common equipment would also make the European defence industry more competitive in the export market, where the new US industrial giants are beginning to gain a decisive edge.

Despite the pressures, the two countries are barely crawling towards closer defence procure-

ment. Britain's emphasis on free competition is fundamentally at odds with France's centrally planned approach. The UK, jealously guarding its close relationship with the US, likes to play the field, buying from Europe when it suits and the US when it does not. France loudly advocates a "buy European" policy to its partners, which all too often translates into a "buy French" reality. Even the Bae-Matra deal could yet be scuppered if the French government objects to UK procurement policy. Neither country has yet really been prepared to make the hard compromises which would produce a more rational defence industrial base. The problem is made even more difficult because Germany, the other large European arms-maker, must also be included if the consolidation is to be meaningful. With the US technical and industrial lead increasing, time is pressing.

Tantalisingly, compromise seems within reach. Britain could usefully think a little harder about the impact of completely free competition on its industrial base; France could benefit from the efficiencies which market disciplines bring. The nascent Franco-German arms procurement agency, which Britain seems set to join, is a forum in which these issues can be resolved. Yet more constancy is needed, and movement by both sides will have to accelerate from the current snail's pace if the European arms industry is not to become a museum exhibit.

Top dollar

The merry-go-round of banking and broking jobs is spinning ever faster - and more lucratively. In recent weeks leading international banks have seen top corporate financiers and analysts stream through their doors in both directions. Why is this happening now, and are these people really worth the millions of dollars invested?

There is a genuine puzzle behind the headline-grabbing salaries which provoke such envious comment. If the financial rewards are so persistently high compared to those in other occupations, why does supply not rise to restrain them - and even, dare it be said, to raise the quality of financial professionals at the same time? True, corporate financiers must master the mechanics of issuing equity and debt, and equity analysts must grapple with calculations such as the diluting effect of rights issues. But these technical skills are not so hard to pick up that they constitute a high barrier to entry.

There are, however, several factors which explain the salaries - at least, those of the stars. First, the potential of some sectors to generate fees has suddenly grown. The embrace of privatisation by western European governments, and to some extent by Latin America and parts of Asia, is high on that list. The wave of mergers and bids continues; telecommunications and media, in particular, have replaced pharmaceuticals in lucrative potential.

These trends have brought "winner-takes-all" characteristics to more sectors. The value of the best few people in the sector has soared; the value of the also-rans is only a fraction of that sum. Banks understandably are desperate to hire the best.

And what constitutes the best? Personal contacts form a genuine barrier to entry. To be on first-name terms with the finance minister organising a privatisation, or with a leading fund manager, is hugely valuable. In the scramble to dominate the "hot" sectors, the time taken to cultivate these from scratch could lose the race.

It is also worth considering - contrary to popular perception - that the earnings of many in financial services, other than the superstars, measured over a whole lifetime, may not be so different from those in other occupations. Many financial careers are short; the industry is intimately acquainted with the notion of job insecurity. That risk alone may deter those in other walks of life from applying.

At the same time, institutions on the lookout for new stars do themselves no favours. Hiring fresh talent from outside the industry is a risk many banks seem reluctant to take. They may function as mercenaries for those inside. But when it comes to outsiders, they - and their headhunters - often play safe and recruit proven names. So the game of musical chairs goes on.

Burden sharing

Proposals elaborated yesterday by senior finance officials of the Group of Ten industrialised countries show governments are trying to grapple with the risks that come with free capital movement and the growth of international bond markets. But the G10 suggestions, while sensible, are too modest to have much impact on the resolution of future financial crises.

The trigger for the proposals in yesterday's report was last year's bail-out of Mexico, and governments' desire to see equal burden sharing among parties to a crisis. While governments were providing up to \$40bn of finance for Mexico, a group of US creditors holding high-yielding Mexican government paper - and whose unwise lending had exacerbated the crisis - were being paid out on time and in full.

The report proposes that the International Monetary Fund should be allowed in exceptional cases to step in to lend to debtor governments even while they remain in default with bondholders. This it can already do when bank creditors are involved. The report also argues for changes in bond contracts which would allow an easier resolution of debt defaults. The aim would be to reduce the prospect of debt settlements being "held to ransom" by a few individuals and reduce the incentives for bondholders to seek individual settlements.

As far as they go, the proposals

will probably help but, perhaps inevitably, they do not go very far. The officials threw out proposals for an international bankruptcy court, deciding rightly that changes should be driven by the market place.

Even if adopted tomorrow, the vast majority of existing bond contracts will for years still carry old contract language. Furthermore, the instruments which caused Mexico so much grief - the infamous *tesobonos* - were domestic financial instruments, which would not be covered by these proposals. In any case free capital movement has blurred the distinction between international and domestic financial markets.

Finally, the G10 governments themselves have been unwilling to lead by example and introduce the changes in contracts of their own bonds. The issue here is that any developing country wanting to pioneer the proposals may, by even raising the possibility of default, be taking a risk with market perceptions.

The measures should help at the margin to reduce the risks of default and increase the chances that both lender and borrower share the burden of settlement. They will not do much, however, to prevent future financial crises. To do this, as the report also emphasises, prevention through the pursuit of sensible economic and borrowing policies is better than any cure.

Sir Leon Brittan and John Redwood debate Britain's role in the EU European Union: angel or demon?



Brittan: Our future lies in Europe

Britain's national identity is under threat. What is under threat is our identity as a country of tolerance, pragmatism and moderation. But the threat is not from European integration. It is from our own lack of self-confidence in responding to a competitive and unstable world.

The threat is that instead of responding to this challenge by working with our European partners, we run away from them by making Europe a scapegoat - and kid ourselves either that we can persuade our partners to reverse what we have together created, or that we would be better off going it alone.

The process of European integration up to now has not threatened our identity; it has, rather, helped us meet today's challenges. We have pooled sovereignty with our European partners where we could achieve together what we could never achieve separately.

The best example is the European single market, which has broken down barriers in Europe and opened up opportunities for our exports, so that now over 60 per cent of our goods go to Europe.

To achieve that it was not enough to abolish tariffs and create a free trade area. We had to have effective rules about minimum common standards, fair public purchasing, government subsidies - rules which required common institutions to apply them and police them and you obviously had to have an independent court to interpret them. You could not possibly allow 15 national courts to interpret the rules in 15 different ways.

We have benefited enormously from this integration. As a result the Italians had to repeal a new luxury car tax which excluded Jaguar cars from the Italian market and cost Jaguar about \$30m in lost sales. UK firms now supply traffic safety equipment to German local authorities, bookbinding services to the new national library in France, and Land Rovers to the Italian army. We have also needed the

Victorian era. Today keeping social costs down and a flexible labour market are the accepted watchwords.

These are the realities of Europe today. To talk of reverting to a mere free trade area is absurd. It would deprive us of most of the benefits of the integrated single market. But some would go further. They demand abolition of the common foreign and agricultural policies and want to denude the European Court of effective power.

There is not the slightest chance of our partners agreeing to that kind of agenda. So let us not give any credence to policies which are no more than a cloak for a strategy for withdrawal from Europe. That would be a disastrous course for Britain. It would strip us of any influence over European decisions that are bound to have a huge impact on our future.

I do not believe that Europe is something which just happens to us. Europe is something which we can and should influence, just as the French use it to achieve French objectives and the Germans to achieve German objectives. To suggest that we cannot do as they do is simply defeatist.

We can use the EU to achieve Britain's national objectives, promote our national ideals and entrench our national identity. Let us regain our self-confidence and reverse the defeatist tide that is the true enemy of our national identity.

outpost of Frankfurt. Preparing for the single currency scheme is destroying jobs and raising taxes across western Europe but proponents say we must press on more rapidly, we must advance into the teeth of the gunfire. They say the trouble goes to show that the markets are unruly and unhelpful, so they must be overruled. The result of their actions is to inflict as much damage on the economies of western Europe as generals inflicted on the armies of western Europe in the Great War.

The single currency, we are told, would remove exchange risks for business and increase trade and prosperity. But moving money around the EU would still have a cost. Banks charge more for money transmission than for switching currencies. They might try to replace some of the lost foreign exchange commission with higher transmission charges.

For most British businesses, the single currency would be all cost and no benefits. Most businesses serve a local or national market. There would be no foreign exchange savings, but they would have to re-equip to handle the new currency. During the transition, all shops would have to be able to handle two different currencies. They would need two lots of tills. Every slot machine and cash dispenser would need modifying. It means £2bn or more of costs to set the system up.

When two or more countries enter a currency union, they have to accept obligations towards each other. As poorer countries and regions can no longer devalue to make themselves more competitive, the richer parts of the union have to send benefits and subsidies to the poorer parts.

If Britain abolished the pound and gave our economic policy over to a European central bank, it would be the biggest transfer of power since the English civil war. Parliament would no longer have a say on how much you can borrow,

what the mortgage rate should be, whether your business can expand. Currency union would bring economic misery. I do not want to live in a Europe of 40 Quebecs, all unhappy about their lack of power and influence, speaking different languages, with different histories, cultures and allegiances, all trying to get out of the state called Europe.

The exponents of more European integration will stop at nothing to overthrow the countries of western Europe. They seek a common army, a common foreign policy, a single welfare and environmental policy, as well as a single currency. They say such a country would bring us greater peace and stability. But the nations of western Europe are peace-loving democracies.

I can understand the view that we ought to live in a country called Europe. What I cannot stand is people arguing that the anthem, the passport, the supreme court and the parliament just signify that we are good friends, that they are not the foundations of a new state.

Give us a single currency and a single army and you have effectively abolished parliament. No longer would the British people be able to seek redress from their MPs.

The British people resent attempts to undermine their democratic constitution at home and make decisions for them behind closed doors abroad. If we signed up for a single currency and a common foreign and defence policy, the nation would no longer have any political expression. We would have lost our voice in the world and most of our capacity for self-government.

Sir Leon Brittan, vice-president of the European Commission, and John Redwood, MP, were speaking in a debate last night on whether the UK's national identity is threatened by further European integration. The debate was organised by the University of Warwick in association with the Financial Times.

Redwood: Emu would mean misery

There are few more potent symbols of British identity than roast beef and the Union Jack. In the last month we have seen the European Union ban the former and ask that public buildings replace the latter with the 12 stars on Europe Day.

The aim of European integration is to create a country called Europe. For it to work, we would all have to swear allegiance to Europe. Of course that means weakening our sense of belonging to Britain. We would look to Frankfurt rather than to the City of London for our economic prospects. Our armies would go into battle under the European flag, marching to the European anthem. We would be represented abroad by the European rather than the British ambassador.

Advocates of more integration tell us that such talk is far-fetched or alarmist. Yet we have already travelled a long way. We joined a common market. That common market sense of belonging to Britain, a supreme court, a parliament and a powerful executive in Brussels. If I had said 70 years ago that today we would regularly find Acts of Parliament overturned by the European Court, that Brussels would have banned sales of our beef worldwide and that British taxpayers would have to pay compensation to Spaniards who did not fish our waters, I would have been branded as fanciful or worse.

The biggest step the EU wishes to take towards one country is to create a single economic policy presided over by a central bank. The pound would be abolished. The Bank of England would become an



Private programme

Moscow's latest parlour game is guessing what the Communist party's economic programme would be if Gennady Zyuganov were to win next month's presidential elections.

The answer to Lenin's question, "what is to be done?" could be anything from a pale pink form of Slavik social democracy, to full-blooded Stalinist revanchism.

Komsomolskaya Pravda, the one-time bible of left-thinking youth - now transformed into a lively broadsheet for right-minded Yeltsinians - yesterday offered its own analysis, based on what it claimed were leaked Communist party documents.

Re-nationalisation, re-establishment of state planning, wage freezes, price controls, and a forced exchange of dollars at a disadvantageous exchange rate, are alleged to be some of the titbits on the socialist smorgasbord.

Party officials denounced the document as a "gross falsification" concocted by the Kremlin's witchdoctors, which did not contain "a single line of what is written in our programme".

So why the procrastination? The latest red-letter date for public presentation of the communists' long-promised, endlessly delayed programme is May 25. Maybe the party fears it's a case of

"publish and be damned"?

Getting sloshed

It seems that Russian scientists have discovered the oldest lake on Earth, deep beneath Antarctica's icecap. Lake Vostok is estimated to be 140 by 80 miles, and is in the heart of Australian Antarctic Territory, next to Russia's Vostok science base.

Seismic soundings indicate its roof lies 2.3 to 2.6 miles beneath the ice at various points of its length; the water is estimated to be 1,600 feet (500 meters) deep. Researchers estimate the lake's waters may be as old as 1m years.

For some peculiar reason the huffins are hoping to get some of the water out in order to study the microbes they reckon it contains.

What a waste; imagine what you could charge for 1m-year-old bottled Antarctic water.

Private programme

India's next prime minister, the Hindu nationalist leader Atal Bihari Vajpayee, can look forward not only to running one of the world's biggest democracies - his house is getting a facelift, too.

His spacious New Delhi residence on Rasina Road was given the once-over yesterday as soon as it became known he was taking over the premiership. He's due to be sworn in as India's 10th

Getting sloshed

prime minister today. Truckloads of carpets, new furniture and air conditioners were brought in, courtesy of the local authorities.

A local official explained: "We have been ordered to put all these things inside... after 15 days, if we are asked to take them away (in case Vajpayee is voted out), then we will take them away. But by tonight, we must make this house fit for a prime minister."

By the look of the goodies being wheeled in, fit for a king.

It's a knock-out

Can there be much hope for Germany, one wonders, following yesterday's front-page *Bild* headline: "Germany's shopping hours are too long. But if it goes on like this the country may grind to a complete halt because as *Bild* put it: 'It's time to knock off.'"

The onset of democracy in South Africa is sharpening up some aspects of the country, including its jokes.

Just before the 1994 elections two black South Africans were digging a ditch alongside one another. One turned to the other and asked "why are we digging? Why should we be doing such menial work?" The other smiled and said: "Don't worry. After the elections, Mandela will be in power, there'll be a new constitution, and then the bosses will be here digging."

Last week, after the new constitution was passed, the two found themselves alongside each other again, digging a different ditch. One turns to the other and says: "I thought you told me that after the election and a new constitution the bosses would be doing the digging?"

His companion turns to him and replies: "My friend, we are the bosses."

Trench warfare

Another company to share in the profits arising from the increased cycle trade is now before the public under the title of the Dunlop-Traffault Cycle and Tube Manufacturing Company Limited. This Company is formed to acquire patent rights which, it is claimed, will do away with the vibration and jolting attendant upon cycling and, in addition, to take over the Leamore Steel Works, which it is proposed to convert into a cycle factory. The working capital of the Company is to be £50,000. It would therefore seem that the difficulty experienced by the public in the purchase of cycles at the present time is in a fair way of being removed, or at all events, palliated to a certain degree.

100 years ago

Increased Cycle Trade

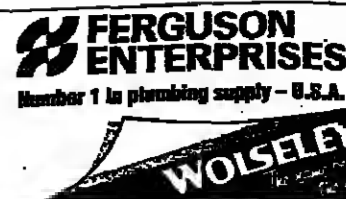
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50 years ago

German rise

From a rumour that Italy's pre-war existing debts might be given priority over reparations in the peace talks, speculators in Foreign Bonds drew the analogy that other ex-enemy countries might be similarly treated, and a little demand in a narrow market was sufficient to raise prices. German Dawes and Young loans were especially prominent in the later dealing at 11% and 9%, showing gains of 1%, and gains in Japanese bonds ranged up to 1%.

... O B S E R V E R ...



LEGAL DEFINITIONS
SUMMONS n. 1 belonging to somebody (summons
has; summons car; has summons last this?) 2 a call
to appear before a judge or magistrate. see
ROWE & MAW: assp (p4 0171-248 4282)

Surprise move follows slump in support
Dole quits Congress to
revive presidential bid

By Jurek Martin in Washington
Senator Bob Dole yesterday took
the extreme and unexpected step
of resigning his seat in Congress
to attempt to revive his flagging
national campaign for the US
presidency.

stand down as majority leader.
"Staying in the Senate in any
way," one aide said, "would give
the Clinton White House the
opportunity to blur the issues by
throwing legislative stumbling
blocks in front of him."

stroke of genius or as an act of
desperation. Congressman Newt
Gingrich, the Speaker of the
House, said it was "inevitable".
After his presidential nomination
was virtually sewn up by
early March, Mr Dole had
attempted to run for president
from Congress by engaging Mr
Clinton in high-profile legislative
battles. A low primary campaign
treasury had also been a factor in
staying in Washington.

US-China
trade war
escalates
with threat
of tariffs

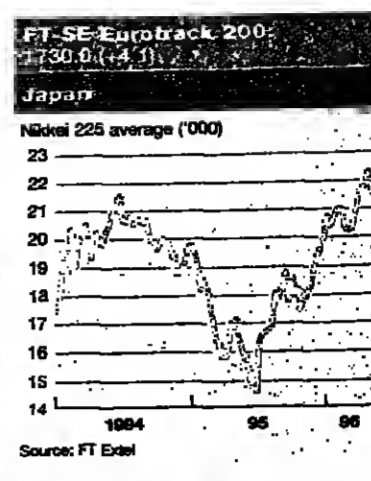
By Nancy Dunne in Washington
and Tony Walker in Beijing

Washington and Beijing
threatened each other with punitive
tariffs and import bans on
hundreds of products, including
Chinese silk and US movies, as
their dispute over intellectual
property escalated yesterday.

The US announced \$3bn in
Chinese goods which could be liable
to import tariffs of 100 per cent or
more unless Beijing agrees by
June 17 to improve protection of
US products, including compact
discs and software, from piracy.

THE LEX COLUMN
Ringing the changes

The Italian government's desire for
Cable and Wireless to swap shares
with Stet, the state-controlled
telecoms group, may prove a pipedream.
But it does underline the fact that Mr
Dick Brown is taking the helm at
C&W at a time of great instability.



still prove a drag, but cost-cutting in
other industries will have helped last
year's profits, while stronger sales
should start to feed through this year.

Chirac urges longer franchise
to help Eurotunnel investors

By Robert Peaston in London

President Jacques Chirac
yesterday urged Mr John Major
to extend Eurotunnel's franchise
to operate the Channel tunnel by
between 30 and 30 years to bail
out the company's beleaguered
shareholders.

do. Under the legislation which
paved the way for the construction
of the tunnel, the UK
government is prohibited from
injecting any kind of direct
subsidy into the company.

governments are prepared to
make sacrifices."
Bankers said an extension of
the concession would be well
comed by the group's banks.

building than industrial logic. Analysts
think breaking up Stet - which
encompasses fixed and mobile
telecoms services, software, installation,
equipment and yellow pages - could
boost shareholder value by up to 50
per cent. At least in that regard, it has
a lot in common with C&W.

Stet
Stet may be serious about joining
forces with Cable and Wireless, but
few in the telecoms industry take it
seriously. The group's international
strategy seems to be to lounge at
anything that moves, but despite often
offering the top price, prospective
partners rarely choose it.

Japan
The Japanese stockmarket is back
on form. Yesterday's 3 1/2 per cent
spurt in the Nikkei average suggests
the market has shrugged off the danger
of an imminent rise in interest rates,
and rightly so.

Option three is for C&W to try to
string together its assets and act as
the nucleus of a fourth supercarrier.
This is where Stet and Veba, C&W's
existing German partner, could come
in. Other allies might also be roped in:
GTE and the US Baby Bells, all of
which need some sort of global
strategy, are obvious candidates.

At Argyl, about to be renamed after
its Safeway brand, price discounting,
including loyalty cards, more than
offset efficiency savings of over £50m
last year. So with the new store and
rehabilitation programme continuing
at speed, earnings growth looks safely
underpinned. Sales per square foot are
beating for stated targets, but they
remain well short of its larger rivals.

While Italy's next government under
Mr Romano Prodi is determined to
crack the whip, getting Stet in a fit
state for privatisation and partner-
ships will be hard. One problem is
Stet's holding company structure with
its maze of partly-owned subsidiaries,
which has more to do with empire-

Argyll
The UK's food retailers are finally
taking a breather from the torments of
price competition. J. Sainsbury, Tesco
and Argyl have all predicted stable
gross profit margins going forward, as
they struggle for cheaper ways to
differentiate themselves than price.

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Additional Lex comment on
PowerGen, Page 17

Stet looks at an Anglo-German alliance

Continued from Page 1

Dr Smith said it was natural that
C&W should be stepping up talks
with industry partners following
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people and contacts are put on
ice. Now that is over," he said.

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July.

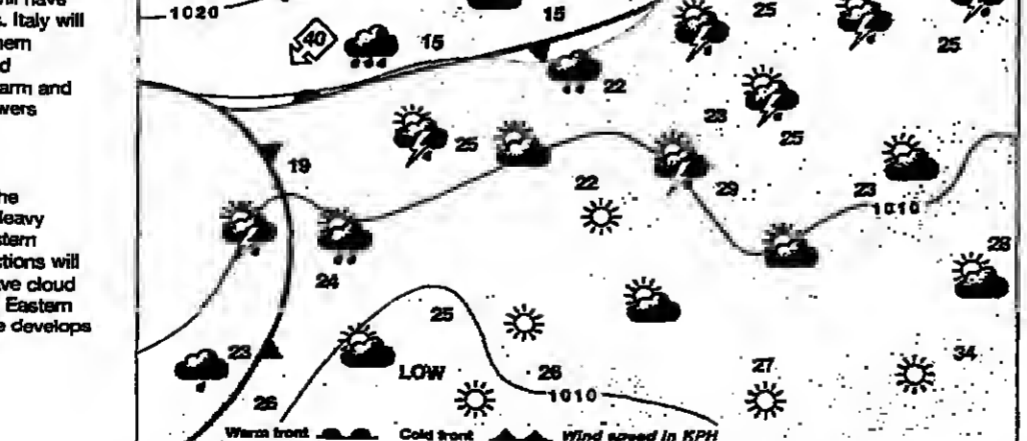
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FT WEATHER GUIDE

Europe today
Central sections of Scandinavia will have
rain and cloud. It will be sunny in England
and Wales and there will be occasional rain
in Ireland and Scotland. The Benelux and
northern Germany will be sunny but cool.



Five-day forecast
It will rain in northern France and the
Benelux on Friday and Saturday. Heavy
showers will continue over the western
Iberian peninsula while eastern sections will
remain dry. The British Isles will have cloud
with occasional rain in most areas. Eastern
Europe will be dry as high pressure develops
over the region.

Table with 3 columns: City, Temperature, and Weather. Lists cities like Abu Dhabi, Accra, Algiers, Amsterdam, Athens, Atlanta, B. Aires, B. Herm, Bangkok, Barcelona, Caracas, Cardiff, Casablanca, Chicago, Cologne, Dakar, Dallas, Delhi, Dubai, Dublin, Edinburgh, Faro, Frankfurt, Geneva, Glasgow, Hamburg, Helsinki, Hong Kong, Honolulu, Istanbul, Jakarta, Jersey, Karachi, Kuwait, L. Angeles, Las Palmas, Lima, Lisbon, London, Luxembourg, Lyon, Madeira, Madrid, Managua, Manila, Mexico City, Miami, Milan, Montreal, Moscow, Munich, Nairobi, Naples, Nassau, New York, Nice, Osaka, Paris, Perth, Porto, Prague, Rangoon, Reykjavik, Rome, S. Francisco, Seoul, Singapore, Stockholm, Strasbourg, Sydney, Taipei, Tel Aviv, Tokyo, Toronto, Vancouver, Warsaw, Wellington, Winnipeg, Zurich.

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Aluminium Components Group Limited
has acquired
FIBO A/S (Norway)
Herrmann Praezisionsdruck GmbH u. GbR (Germany)
in a
Management Buy-in
with total funding of
\$15 million
Initiated and Negotiated by
Trident Partners
Led and Arranged by
Legal & General Ventures Limited
Institutional Equity provided by
Legal & General Ventures 1996 Unquoted Equity Fund
Group Trust plc
Senior Debt provided by
Dresdner Bank AG London Branch
Legal Advisers
Ashurst Morris Crisp (Acquisition and Institutional Equity)
Eversheds, London (Management)
Allen & Overy (Senior Debt)
Reporting Accountants
Coopers & Lybrand
Legal & General
Legal & General Ventures Limited
Regulated by IMRO

Handwritten Arabic text: "البيانات المالية"

COMPANIES AND FINANCE: EUROPE

NEWS DIGEST

Pay row threatens Air France merger

Air France yesterday said it would delay a planned restructuring of its domestic and European operations if domestic pilots did not agree to a new remuneration package by the end of next month.

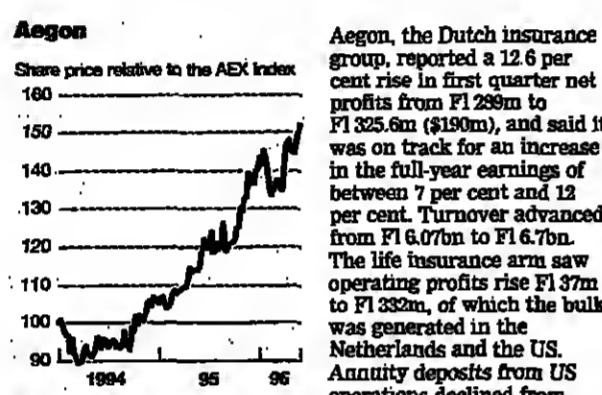
It said it was seeking to align the pay and conditions of Air France Europe pilots with those of their non-domestic counterparts. At present, Air France Europe pilots receive between 10 per cent and 15 per cent more.

This emerged as Mr Christian Blanc, Air France chairman, confirmed he was aiming for privatisation of the airline late next year or early in 1998, saying he was "aware of the difficulties but absolutely not pessimistic."

The company yesterday revealed more details of a programme of measures to improve the financial performance of Air France Europe, which Mr Blanc recently warned would be insolvent in less than two years if nothing were done.

Mr Jean-Pierre Courcol, Air France Europe's managing director, said the measures should restrict losses to FF130m-FF190m (\$16m-\$24m) in the first year after their implementation and FF150m-FF160m in the second.

Aegon earnings increase 12.6%



Aegon, the Dutch insurance group, reported a 12.6 per cent rise in first quarter net profits from FF123m to FF139m (\$15.6m to \$17.4m), and said it was on track for an increase in the full-year earnings of between 7 per cent and 12 per cent.

The annual shareholders' meeting approved a final dividend of FF1.75 - payable entirely in cash or in new stock at the shareholder's discretion. Aegon's management also announced a change in the interim dividend policy, to take effect starting with the payment scheduled for September 1996.

Lagardère bid for Matra Hachette

Lagardère Groupe, which controls Matra Hachette, yesterday proposed to absorb the unit via a one-for-one share swap. There is a FF140 cash offer for those not wanting to exchange their Matra shares for those of Lagardère.

Table titled 'French first-quarter sales (FFr bn)' comparing 1995 and 1996 sales for various companies like Compagnie, Elf, Peugeot, Renault, etc.

France Télécom slips as float approaches

France Télécom yesterday reported full-year net profits down 7.3 per cent at FF19.2bn (\$2.7bn) on sales up 3.7 per cent at FF147.8bn.

Mr Bon said the fall in net profits largely reflected asset sales in 1994 and a provision last year for renewal of France Télécom's first-generation cable network.

Currency gains help 31% advance at Novo Nordisk

Novo Nordisk, the pharmaceuticals and industrial enzymes business, increased 31 per cent from last year's DK425m to DK557m (\$94m).

With after-tax profits up from DK310m to DK390m, earnings per share rose from DK4.26 last year to DK5.56. The first-quarter figures were affected by a 4 per cent appreciation of the krone as well as a change in corporate strategy at the beginning of last year.

Defences planned against CIC sale

Executives at one of the leading subsidiaries of CIC, the banking group ultimately controlled by GAN, the French insurer, are discussing the idea of "mutualising" their parent bank to prevent a sell-off to a rival group.

Members of the regional banks which make up the CIC group are concerned that a sale could jeopardise their future, and lead to substantial loss of local decision-making power.

Mr Jean Weber, chairman of Crédit Industriel d'Alsace et Lorraine, CIC's largest subsidiary, has already criticised the idea of a sell-off to another bank and stressed the importance of retaining banks linked closely to their regions.

Swedish Match sets bourse alight

Swedish Match, the world's largest manufacturer of matches, and also the biggest supplier of chewing tobacco in the US, was spun off by its erstwhile owner Volvo as part of the motor manufacturer's strategy of divesting all but its core automotive operations.

Swedish Match shares, distributed on a one-for-one basis to all Volvo shareholders, opened in Stockholm at SKR19.50 and rose quickly to SKR22.30 before closing at SKR21.90 - valuing the company at SKR10.1bn (\$1.48bn).

Marseillaise de Crédit sees profit for 1996

The chairman of Société Marseillaise de Crédit, the loss-making state-owned bank, predicted yesterday that his group should return to profit during the current year.

Krupp promises dividend for year

Krupp, the German steel and engineering conglomerate which reported record net profits of DM505m (\$328m) last year and paid its first dividend as a joint stock company, yesterday said it had reason to be "cautiously optimistic" about 1996 and would once again pay a dividend.

Mr Gerhard Cromme, chief executive, said a 1996 dividend would depend on a combination of factors: what was right for shareholders; what was necessary for the future of the group; and to what extent money needed to be spent to deal with "burdens" incurred during recent loss-making years.

Sonae to separate divisions

Sonae, Portugal's biggest conglomerate, yesterday announced a demerger aimed at focusing more effectively on the group's core retail and industrial operations.

The chairman has previously stressed his preference to sell the bank to a variety of investors, but he said yesterday there was likely to be one buyer with a controlling stake of at least 51 per cent.

Mr Habib-Delencle said there had been discussions with a number of potential purchasers in France and elsewhere in Europe.

Marseillaise de Crédit on Tuesday unveiled losses for 1995 of FF657m, on top of losses in 1994 of FF1.25bn.

Portuguese banks report strong increases

Portugal's top banks have posted strong profit gains for the first quarter, with several more than doubling their earnings, mainly as the result of selling fixed-income securities.

Banco Português de Investimento, a group centred on Portugal's biggest investment bank, reported a 157 per cent increase in net consolidated profit for the first quarter to Es4.5bn (\$2.6bn) from Es1.9bn in the first three months of 1995.

Banco Espírito Santo, the fourth biggest group, achieved an increase of only 5.8 per cent in net consolidated profit, from Es4.52bn in the first quarter of 1995 to Es4.76bn. Analysts say BES had sold fixed-income securities in 1995, earlier than most other banks, leaving it with less to sell as interest rates fell during the first quarter of 1996.

Total assets rose from Es2.402bn in the first three months of 1995 to Es2.849bn and credit to customers grew from Es899bn to Es1.228bn. BES's non-consolidated profit rose from Es4.3bn to Es4.4bn.

However, net consolidated profit was only Es1.1bn, owing mainly to the goodwill and financial costs of BES's Es153m acquisition of Banco Totta e Acores in April 1995. Because of this purchase, BPSM's consolidated results for the first quarter are not directly comparable with the same period last year.

Banco Fomento e Exterior, the fifth-largest bank, reported a net profit of Es5.2bn, an increase of 79.3 per cent on the first three months of 1995. Cash flow rose 22 per cent to Es6.4bn and total assets rose 7.3 per cent to Es70bn.

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Advertisement for NatWest Group, Fleet Financial Group, and Goldman Sachs & Co. listing global offices and services.

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COMPANIES AND FINANCE: ASIA-PACIFIC / INTERNATIONAL

NEWS DIGEST

Chiefs step down at Nippon Credit

Nippon Credit Bank yesterday became the latest Japanese lender to lose senior management personnel in an attempt to atone for the disastrous financial performance of the past few years. The bank announced that Mr Seishi Matsuoka, chairman, and Mr Yoshiaki Toda, vice-chairman, were stepping down. Mr Hiroshi Kubota, current NCB president, would be moved to the chairmanship.

NCB, one of the country's three long-term credit banks, is estimated to have incurred an unconsolidated pre-tax loss of about ¥130bn (\$1.22bn) in the year to the end of March, as a result of large write-offs of non-performing loans, including those to the country's bankrupt housing loan companies. The bank joins Fuji, Industrial Bank of Japan and Mitsui Trust in dropping senior figures in the past month. Several other banks are likely to follow suit before or after their annual shareholders' meetings next month.

Gerard Baker, Tokyo

Telecom NZ advances 15%

Telecom New Zealand increased its earnings by 15.6 per cent to NZ\$716.8m (US\$493.7m) in the year to March 31, helped by strong growth in business telephone revenues. Revenues for the company, which is controlled by Bell Atlantic and Ameritech, two US phone companies - rose 12.2 per cent to NZ\$3.18bn. Mr Peter Shircliffe, chairman, said robust growth was achieved in most sectors. Call volumes rose strongly, especially in the business area where competition was most intense.

Telecom cut international call rates, stimulating volume growth by 19.6 per cent and leading to a 2.1 per cent gain in income. In the local service market, revenues grew by 5.4 per cent to NZ\$42.5m. Revenue from cellular and other mobile services advanced 37.1 per cent to NZ\$84.8m due to a strong rise in connections. Earnings from enhanced network services, such as 0800 lines, grew by 37.2 per cent to NZ\$37.1m.

Revenues from Pacific Star Group, the Australian subsidiary, and facilities management rose by 76.4 per cent to NZ\$282.2m as a result of the growing use of its systems by state governments and leading business customers. Telecom's total operating expenses increased 11 per cent to NZ\$2bn due to costs associated with business growth, especially in Australia. The company declared a final dividend of 9.5 cents a share, making 95 cents for the year. Mr Roderick Deane, chief executive, said the company was considering a share buy-back.

Terry Hall, Wellington

Nampak ahead despite sales slip

Nampak, the South African paper and packaging group, reported a 17 per cent increase in attributable earnings to R263.6m (\$81.73m) for the six months to March, from R225.8m a year ago, despite a sharp fall in sales during the second quarter. Earnings per share rose 16 per cent to 51.9 cents a share. The dividend was 13.7 cents, against 12 cents.

Mr Brian Connellan, chairman, described the results as "satisfactory", but warned that earnings growth for the year would not improve in the second half without an improvement in demand. Turnover increased 17 per cent to R3.4bn. Volumes increased by 13 per cent during the buoyant first quarter, but this trend had reversed in the second quarter resulting in overall growth of 3 per cent for the period.

Mark Ashurst, Johannesburg

Setback seen for Teva MS drug

Teva Pharmaceutical Industries, Israel's biggest pharmaceuticals company, will not get US Food and Drug Administration approval for its multiple sclerosis treatment Copaxone during the next quarter, NatWest Securities said yesterday. One day after Teva said the FDA would make a final decision on the drug in the next quarter, NatWest said that Copaxone was not scheduled on the next FDA advisory panel meeting in June, and a decision would probably be delayed until September.

Analysts forecast that FDA approval of Copaxone will significantly boost Teva's sales, which reached \$667.6m in 1995. The company reported first-quarter net income increase of 18 per cent to \$2.3m from \$1.9m last year. But Mr Dan Susskind, Teva chief financial officer, said results were "a bit weak" due to seasonal factors and increased competition in the US generic pharmaceuticals market.

First-quarter sales rose 24 per cent to \$189.3m from \$152.7m last year. Results included sales from recent Teva acquisitions Biogal Pharmaceutical Works of Hungary and ICI SpA, an Italian bulk pharmaceutical manufacturer. In the coming quarter, Teva hopes to boost sales by acquiring Biocraft Laboratories of the US. Biocraft shareholders will vote on the merger on May 31.

Avi Machlis, Jerusalem

Top Thai banks hit by slowing economy

By Ted Bardacke in Bangkok

Thailand's five largest banks, squeezed by a slowing economy and a sluggish stock market, yesterday reported first-quarter profit growth well below analysts' expectations.

Bangkok Bank reported first-quarter net profit of Bt5.05bn (\$199m), up 11.6 per cent compared with the same period a year ago. Krung Thai Bank recorded first-quarter net profits of Bt4.28bn, up 17 per cent over last year, and Thai Farmers Bank first-quarter net profit of Bt3bn, ahead 12 per cent from the same period last year.

Siam Commercial Bank posted first-quarter net profit of Bt2.04bn, or 16 per cent increase, while Bank of Ayudhya came in at Bt1.14bn, up just 2.1 per cent.

These five banks account for nearly 70 per cent of the total assets of the Thai banking system.

"This is pretty mediocre, all under forecast," said Mr Scott Christensen, banking analyst with Jardine Fleming ThanaKom Securities. "Deposit growth is robust but loan growth is not keeping pace."

Bangkok Bank, for example, saw loan growth in the first quarter of only 10 per cent, against the same period last year, while deposits grew by 21 per cent.

Siam Commercial Bank was the only exception, reporting 26 per cent growth in both lending and deposits.

Loan growth has fallen as the growth rate of the Thai economy has been slowing since the beginning of the year, the result of an anti-inflationary policy of high interest rates imposed by the Bank of Thailand, the country's central bank.

In addition, a directionless stock market has been prompting investors to place their money in bank deposits, taking advantage of high rates.

Banks have also been told by the central bank to keep loan growth under 21 per cent for the year, maintain a loan-to-deposit ratio of less than 112 per cent and not to dip into their capital base for lending purposes.

Bankers also say that many of the blue-chip companies that are unaffected by the economic slowdown have taken to borrowing directly overseas, benefiting from lower lending rates and a stable currency.

"We are likely to see the same story in the next quarter, until leading rates start falling," said Mr Christensen at Jardine Fleming. Forecasts for the sector would soon be revised downward from the consensus of 17 per cent, he added.

Black consumer demand lifts African Life

By Mark Ashurst in Johannesburg

African Life, the insurance group that contributes more than 70 per cent of the earnings of Real Africa Investments, South Africa's second largest black-controlled conglomerate, posted a 52 per cent increase in recurring premium income to R308.2m (\$71.3m) for the year ended March 31.

Analysts applauded African Life's strong performance, which they said reflected sharply increased demand from black consumers for individual life insurance, which comprised R235m of recurring premium income.

About 90 per cent of the company's individual policyholders are black.

Earnings per share rose 25 per cent to 42 cents from 33.6 cents. A dividend of 16.8 cents a share was declared, lifting the final dividend for the year to 28 cents, compared with 21 cents last time. In line with past practice, a capitalisation issue was offered in lieu of the dividend.

Total premium income, which includes non-recurring policies, increased 79 per cent to R527.5m, up from R285.2m. Total assets increased 98 per cent to R1.1bn from R554.3m, exceeding R1bn for the first time, and investment income rose 83 per cent to R61.4m.

Mr Don Neube, chairman of African Life and Real Africa Investments, said the strong performance reflected a sense of racial solidarity in the company's core market during the three years it had been under black control.

Mr Bill Jack, chief executive, said the results were the first fruits of economic gains among the black population: "There are more people who are entering into circumstances where they feel a need for protection."

The cost of sales had increased by 35 per cent to R94.6m while other expenses rose by 17 per cent to R56.7m, against R48.5m.

This included a 15 per cent reduction in commission-related overheads.

The company had acquired a

R40m injection of new capital from the International Finance Corporation, the private sector arm of the World Bank, in July and raised a further R126m from a rights issue at the close of fiscal 1995.

African Life also moved into new sectors of fund management and property development during the period, and had made cross-border acquisitions in Botswana and Lesotho as the first step in its strategy to become a broadly based financial services group operating internationally.

SA Breweries pays more after 29% earnings gain

By Mark Ashurst

South African Breweries, the country's largest industrial conglomerate, posted a 29 per cent increase in attributable earnings to R1.7bn (\$393.2m) for the year to March, compared with R1.3bn previously.

After accounting for the conversion of series A preference shares and recent capitalisation awards, earnings per share rose 22 per cent to 566 cents a share from 463.1 cents. A final dividend of 193 cents

a share was declared, boosting the total dividend for the year by 25 per cent, from 300 cents to 450 cents.

Turnover increased by 17 per cent to R32.6bn.

Mr Meyer Kahn, executive chairman, said the results reflected growth of more than 4 per cent in real private consumption during 1995.

Earnings from the domestic beer division, where SAB has a virtual monopoly, increased by 24 per cent, from R506m to R1bn. But this was outper-

formed by growth of 31 per cent in attributable earnings from international beer interests - in Hungary, China and Tanzania - to R172m, from R131m.

Non-beer interests, which include clothing retailer Edgars, Lion Match and the Southern Sun hotel group, posted a 39 per cent rise in attributable earnings to R488m, which included a 60 per cent increase from Southern Sun.

Higher interest rates had pushed up financing costs, but

this was offset by a lower effective tax rate and improved performance from associates. Increased productivity and lower costs boosted trading profit by 15 per cent.

Overall gearing, defined as the ratio of net interest-bearing debt to total shareholders funds, fell from 55 per cent to 39 per cent, as net equity per ordinary share increased by 16 per cent to R18.81.

Cash flow from operations increased by a quarter to R2.5bn. Retained cash, together

with R800m released by capitalisation share awards, funded the group's R2.2bn expansion programme, the largest in its history.

Mr Meyer expected a further increase in earnings and dividends in the second half if there were no significant drop in consumer demand.

JCI, the South African mining and investment company, has acquired a 12 per cent stake in Australia's Kimberley Diamond Co for A\$1.1m (US\$570,000).

Mayne Nickless warns on after-tax result

By Nicki Tait in Sydney

Mayne Nickless, the Melbourne-based transportation, security and healthcare group, is the latest Australian company to warn of lower-than-expected profits.

In the past week, industrial companies like Pacific Dunlop, Southcorp and Burns Philp have predicted reduced profits. John Fairfax, the country's

leading newspaper publisher, delivered a sharp fall in third-quarter profits, and forecast a 20-25 per cent reduction for the full year.

Mayne said yesterday it expected earnings before interest and tax in the 12 months to the end of June to be "in line with last year's results". Last year, Mayne recorded an after-tax profit of A\$79.2m (US\$82.8m), after a net abnormal charge of A\$47.8m.

But it said that after-tax profit before abnormal losses would be lower than that previously, due to the company's increased investment in Optus Communications; the fact it was no longer capitalising interest on its Optus investment; and the acquisition of Australian Medical Enterprises.

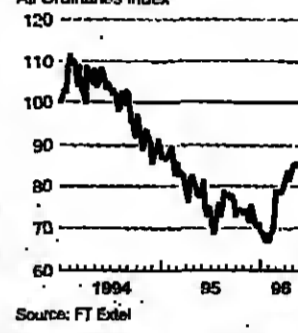
The sale of the UK armoured car unit, meanwhile, would result in "substantial abnormal losses".

Mayne added that its transport operation was being hit by the "difficult trading environment in Australia" and that it faced "continuing problems" at its Benelux Logistics division, in particular at the Temse facility in Belgium.

By contrast, the remaining European and North American activities were performing well, as were the healthcare and the Armaguard units in Australia.

Mayne Nickless

Share price relative to the All Ordinaries Index



EXPERTISE IN MINING WORLDWIDE

<p style="text-align: center;">LUXEMBOURG</p> <p style="text-align: center;">Minorco-AMSA</p> <p style="text-align: center;">\$1.4 billion Acquisition by way of merger</p> <p style="text-align: center;">1993</p> <p style="text-align: center;">Broker</p>	<p style="text-align: center;">GHANA</p> <p style="text-align: center;">Asbanti Goldfields</p> <p style="text-align: center;">US\$430 million IPO</p> <p style="text-align: center;">1994</p> <p style="text-align: center;">Bookrunner</p>	<p style="text-align: center;">UNITED KINGDOM</p> <p style="text-align: center;">British Coal Corporation</p> <p style="text-align: center;">£815 million Sale of English coal mining activities to RJB Mining</p> <p style="text-align: center;">1994</p> <p style="text-align: center;">Adviser</p>
<p style="text-align: center;">GHANA</p> <p style="text-align: center;">Ashanti Goldfields</p> <p style="text-align: center;">US\$62 million Capital increase share offering</p> <p style="text-align: center;">1995</p> <p style="text-align: center;">Bookrunner</p>	<p style="text-align: center;">PAPUA NEW GUINEA</p> <p style="text-align: center;">Lihir Gold</p> <p style="text-align: center;">US\$438 million Initial public offering</p> <p style="text-align: center;">1995</p> <p style="text-align: center;">Co-lead</p>	<p style="text-align: center;">UNITED KINGDOM</p> <p style="text-align: center;">RJB Mining</p> <p style="text-align: center;">£494 million Term loan</p> <p style="text-align: center;">1995</p> <p style="text-align: center;">Arranger</p>
<p style="text-align: center;">U.K. - SOUTH AFRICA</p> <p style="text-align: center;">Lonrho-Impala</p> <p style="text-align: center;">£430 million Proposed platinum merger</p> <p style="text-align: center;">1995</p> <p style="text-align: center;">Broker</p>	<p style="text-align: center;">UNITED KINGDOM</p> <p style="text-align: center;">Cluff Resources plc</p> <p style="text-align: center;">£80 million Recommended offer by Ashanti Goldfields</p> <p style="text-align: center;">1996</p> <p style="text-align: center;">Adviser & Broker</p>	<p style="text-align: center;">GHANA</p> <p style="text-align: center;">Ashanti Capital</p> <p style="text-align: center;">US\$250 million Guaranteed exchangeable note</p> <p style="text-align: center;">1996</p> <p style="text-align: center;">Senior co-lead</p>
<p style="text-align: center;">USA</p> <p style="text-align: center;">Sunshine Mining</p> <p style="text-align: center;">US\$30 million Exchangeable note</p> <p style="text-align: center;">1996</p> <p style="text-align: center;">Joint Bookrunner</p>	<p style="text-align: center;">GHANA</p> <p style="text-align: center;">Ashanti Goldfields</p> <p style="text-align: center;">Proposed US\$290 million merger by way of a scheme of arrangement with Golden Shamrock Mines</p> <p style="text-align: center;">1996</p> <p style="text-align: center;">Adviser</p>	<p style="text-align: center;">UNITED KINGDOM</p> <p style="text-align: center;">Avocet Mining</p> <p style="text-align: center;">£10 million London listing</p> <p style="text-align: center;">1996</p> <p style="text-align: center;">Broker</p>

HSBC Investment Banking, with 5,600 staff in 42 countries, has proven capability in developing mining worldwide. For more information, contact Richard Blackburn, London +(44) 171 336 2019. Tom Callaghan, New York +(1) 212 808 0500. Keith Rayner, Johannesburg +(27) 11 377 4378. Lex Hansen, Sydney +(61) 2 255 2387.

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This announcement appears as a matter of record only.

April 1996

£28,000,000

Lease Receivables Securitisation
a landmark
Residual Equity Value Strip (R.E.V.S.)

Acting on behalf of **Sandown Capital Corporation**, Bankers Trust Company structured and sold long term lease receivables from a portfolio of retail supermarkets, owned by Lease Securities Ltd.

Bankers Trust
Valuation advisor:
Richard Ellis

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COMPANIES AND FINANCE: THE AMERICAS

Fund managers put takeover spotlight on USAir

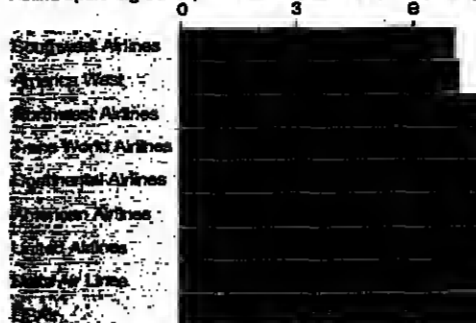
With two US investors building stakes, the carrier could be back in play, reports Richard Tomkins

It is barely six months since USAir, the US carrier...

had offered USAir the chance to buy back its series A preferred stock...

The trouble with USAir

Airline operating costs per available seat mile (cents, 1995)



Source: Company reports

such as their own would be more trouble than it was worth.

In January, however, USAir brought in Mr Stephen Wolf as chairman and chief executive.



Chairman Stephen N. Wolf

The hedge fund managers decline to say why they have taken positions in USAir's stock.

in it for a quick flip. I think they are looking for a 12 to 24-month situation...

The downside risk is that USAir will neither be put in play nor restructured.

Then the risk is that you go into some kind of recession in which USAir, with its very high cost structure...

Apparently, this is a thought that haunts Mr Buffett more than it does the hedge fund managers.

My guess is that he will fix it up over the next two years and sell it, maybe to UAL.

Vitro hit by Anchor Glass charge

By Daniel Dombey in Mexico City

Vitro, Mexico's largest manufacturer of glass, announced a fall in sales for the first quarter of 1996.

Serfin, which this week announced a sale to government of 20bn pesos...

downsizing of Anchor Glass. Operating profits dropped 51.3 per cent to 436m pesos.

Grupo Financiero Serfin's recapitalisation programme, the company said that it would dilute its holding in the financial group.

American Express expands services

By Richard Waters in New York

American Express continued its push in to new, faster-growing parts of the financial services business yesterday.

not face the usual "load", or up-front fee, that comes with investing. It will also offer discount stockbroking...

American Express has previously limited its brand to products created in-house, with its traditional charge card as the core.

The move will take the company into the provision of low-cost investment services, a business dominated by names like Charles Schwab and Merrill Lynch.

The group said it had created a division, American Express Financial Direct, to sell low-cost products to individuals who do not need a financial adviser.

The new unit will sell a range of mutual funds managed by three other companies, as well as those managed by the former IDS.

The creation of Financial Direct is an attempt to bridge the division between the established cards and financial advisory businesses, American Express said.

The new unit will sell "no-load" mutual funds, a fast-growing part of the funds industry where investors do

Buffett group ahead in first quarter

By Maggie Urry in New York

Berkshire Hathaway, the insurance and investment group headed by Mr Warren Buffett, yesterday reported a sharp rise in first-quarter earnings.

B shares, equivalent to one-third of an A share, fell \$20 to \$1.160.

and in turn was the main cause of a rise in net income from \$138m to \$1.67bn.

Geico, the insurance company, which it did not already own at the start of the quarter.

Group CB plans stock sale

By Richard Waters in Santiago

Grupo CB, the holding company for Cruz Blanca and other Chilean insurance, real estate and financial interests, plans a \$90m capital increase through a stock sale.

Peak profits for Campbell Soup Campbell Soup reported record third-quarter earnings and said it was on track for another successful year.

Double-digit gains in sales and earnings by Pace Mexican Sauces marked the first anniversary of our acquisition of this great brand leader.

US sales for the quarter rose 8 per cent to \$1.1bn from \$1.02bn last year, while operating margins jumped 19 per cent to 28.4%.

The international grocery division reported sales of \$568m, up from \$542m, but its operating earnings fell 15 per cent to \$27m because of the sale of Campbell's frozen vegetable business in Europe.

SAB THE SOUTH AFRICAN BREWERIES LIMITED ABRIDGED PRELIMINARY REPORT for the 101st year ended 31 March 1996. Turnover Grows 17% to R32,6 billion. Cash value added Reaches R12 billion. Profit before taxation Rises to R3 billion. Earnings per share Up 22% to 566 cents.

THE EXPORT-IMPORT BANK OF JAPAN (Incorporated under The Export-Import Bank of Japan Law) FF 1,500,000,000 6 3/8 per cent. Guaranteed Bonds Due 2007 unconditionally and irrevocably guaranteed as to payment of principal and interest by Japan. Issue Price: 99.384 per cent.

NEWS DIGEST Callan Associates forms UK alliance

Bacon & Woodrow, one of the UK's largest actuarial consulting firms, is to form an alliance with its largest US counterpart in a move which recognises the growing internationalisation of pension fund investment.

The alliance is with Callan Associates, the largest actuarial consultancy in the US. Together the two firms will be advising nearly 700 clients with an aggregate of \$500bn in assets under management.

US pension schemes have in recent years sharply increased their investment in non-domestic assets, particularly in equities. That trend has raised demand for advisory services on manager selection in foreign markets and in asset allocation between various markets.

Meanwhile, UK pension schemes are increasingly adopting some of the approaches of US schemes towards so-called specialist managers, while fund managers are adopting the quantitative techniques for asset allocation and stock selection used by their American counterparts.

Bacon and Woodrow is part of Woodrow Milliman, the international network that operates out of 22 countries. Under the agreement currently under discussion, the two firms will retain their independence and will market their services under their own names.

Both firms plan significant investment in information technology so that they can integrate their data more easily.

Magna in German acquisition

Magna, the Canadian-based producer of car parts, is expanding further in Europe by buying Germany's Pepra Paul Braun for \$231m (US\$227m) cash.

Pepra, now in receivership, makes body components. Magna will put \$250m of business into Pepra in 1997, based on orders from five leading European carmakers.

In March, Magna bought the parts business of Marley, of the UK, for \$100m. It plans to acquire a European seat manufacturer later this year.

Grupo CB plans stock sale

Grupo CB, the holding company for Cruz Blanca and other Chilean insurance, real estate and financial interests, plans a \$90m capital increase through a stock sale.

US sales for the quarter rose 8 per cent to \$1.1bn from \$1.02bn last year, while operating margins jumped 19 per cent to 28.4%.

Peak profits for Campbell Soup

Campbell Soup reported record third-quarter earnings and said it was on track for another successful year.

Double-digit gains in sales and earnings by Pace Mexican Sauces marked the first anniversary of our acquisition of this great brand leader.

CAPITALISATION SHARE AWARD AND FINAL ORDINARY DIVIDEND The Board has declared a final ordinary dividend of 193 cents per share, on account of the year ended 31 March 1996.

PARIBAS CAPITAL MARKETS BANQUE IJY (FRANCE) S.A. BANQUE NATIONALE DE PARIS COMPAGNIE FINANCIERE BZW CAISSE DES DEPOTS ET CONSIGNATIONS DEUTSCHE MORGAN GRENPELL (DEUTSCHE BANK FRANCE S.N.C.) MERRILL LYNCH FINANCE S.A. J.P. MORGAN & CIE S.A. SOCIETE GENERALE UBS FRANCE S.A.

IMIS.p.a. NOTICE OF DIVIDEND FOR 1995 FINANCIAL YEAR Notice to Shareholders is hereby given that, as approved by the Shareholders at the Annual General Meeting held on April 29, 1996, the dividend for the 1995 financial year will be in the amount of lire 500 before taxes withheld for each share.

Handwritten Arabic text at the bottom of the page.

TECHNOLOGY

Vanessa Houlder reports on the changing relationship between the space industry and terrestrial technology

Spin-offs in orbit



An AEA Technology cosmic radiation monitor in use on the shuttle. A version has been developed for commercial aircraft

From microwave ovens to medical imaging, many common technologies have been profoundly influenced by space research.

Enthusiasts for space exploration have long argued that spin-offs from space missions have transformed modern life. The technology base that we stand on today was in almost all respects accelerated by the Apollo programme, according to Harrison Schmitt, former US senator and ex-astronaut.

Some industries, such as communications, remote sensing and meteorology, continue to draw directly and extensively from the space industry. But the relationship between the space industry and terrestrial technology is changing.

The transfer of technology between space and terrestrial industries is no longer so much of a one-way affair. "Space is less and less a pioneer that spins technology off for the ground," says Geoffrey Hall, of Moreton Hall Associates, a consultancy.

Budgets for space missions have been pared down, forcing space agencies to be more flexible in sourcing technology. At the same time, they have been able to find relevant technology in terrestrial applications, as non-space technology has become more sophisticated.

"There is software in children's electronic toys that could be used directly in space," says Hall. He is carrying out a study of the convergence between space and terrestrial technology for the European Space Agency.

Increasingly, the space industry is using proven technology when it can stand up to the extreme temperatures and environment of space. It is also jointly working on areas where the ambitions of space technologists coincide with those of other industries in areas such as information, data transfer, long-lasting compact batteries and artificial intelligence.

An example of this two-way exchange of expertise is provided by Aromascan, a Crewe-based manufacturer of artificial nose sensors. It benefited from ESA support at the research phase, when it was designing a sensor to go into space to monitor air quality on the Mir space station. That has helped it produce sensors for other tasks ranging from coffee analysis to monitoring wound infections.

Space may be less of a pacemaker for innovative technology than it used to be, but indirect spin-offs from space technology have not dried up completely. A survey commissioned by the UK Department of Trade and Industry's National Space Centre last year showed that nearly a third of the companies involved in UK space research had been successful in finding secondary applications for the sensors,

materials, software and other technology developed in support of space programmes.

Some 30 companies had found ways of using their technology for applications such as banking, offshore oil industry, surgery and number-plate recognition.

Some of these researchers are intent on translating spin-off technologies into an independent business. For example, Tony Anson of the Brunel Institute for Bioengineering at Brunel University, has formed a business based on commercial applications for nickel titanium shape memory alloys which were developed to move optical mirrors for an automated biological laboratory in space.

These alloys, which can remain bent out of shape until they reach a certain temperature whereupon they "remember" their original geometry, have intriguing applications in medicine. They can, for example, staple together broken bones or clear a blockage in an artery, by changing their shape when they reach blood temperature. The company, called Anson Medi-

cal, is in the process of raising £500,000 in anticipation of commercialising its products in the next few months. Its business plan anticipates a company valuation of £15m within five years.

Anson Medical received financial support and advice from ESA to develop these staples, as part of ESA's space commercialisation programme that started in 1991.

ESA's space commercialisation programme has two strands. One, called Spacelink, is designed to stimulate terrestrial use of this technology. "The economic benefits of space research can be secured only by encouraging industry to absorb the technical advances achieved and then recycling them in a wide range of productive applications," it says.

Another is the Radius programme set up to exploit microgravity, the near-weightless environment when a spacecraft is in orbit. Its goal is to send experiments into space investigating topics such as protein crystallisation, purification using electrophoresis, catalysis using zeolite

(a material based on aluminium silicate) and osteoporosis.

So far, two Radius projects have flown on the space shuttle; a third is due to fly on Sunday. One of the forthcoming experiments will take place next year when Elf Aquitaine plans to use microgravity to achieve a better understanding of thermodynamic modelling of oil reservoirs.

These experiments would be unlikely to be undertaken if companies had to bear the cost. ESA, which is contributing Ecumil (£780,000) to the programme, has negotiated access to the shuttle. But the full costs of sending a load on the shuttle vary from \$50,000 to \$200,000 per kg, the typical Radius experiment is 50 kg.

Philippe Willekens of ESA's Commercialisation office hopes that the programme will be self-sustaining after a three-year trial phase, during which time companies contribute time but no money, and a three-year pre-commercial phase when companies pay between 10 and 30 per cent of full costs. Even now, however, there is limited enthusiasm from companies

wanting to use the Radius programme. Oil companies have been the most keen to take part; pharmaceutical companies, with a few exceptions, have shown little interest. Willekens says he is unconcerned. "Our choice was to diffuse information to companies that have shown an immediate interest, which will then create a snowball effect," he says.

The Spacelink Europe technology transfer programme is also building up relatively slowly. So far, it has achieved 21 technology transfers: nine in software, five in new materials, four in biomedical instrumentation; two in biochemicals and the environment and one in telecoms.

It would not be hard to find reasons why space technology is not easily transferred to terrestrial applications. It is partly because the cost of devices produced for space are high, not least because of the standards imposed by space agencies. A device that has been manufactured in very small quantities to very high standards may need to be redesigned to make it suitable for mass production.

Another reason is ambivalence on the part of space companies, according to John Rootes, managing director of JRA Aerospace & Technology, a technology broker that is part of the Spacelink Europe consortium. Adapting technology for another market is a distraction from the company's core business.

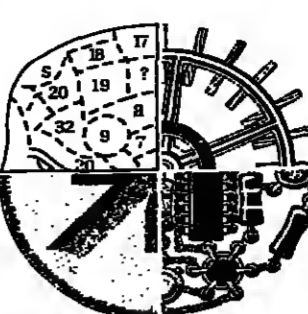
Some space companies are prepared to examine non-space applications themselves. Matra Marconi Space, for example, has completed a detailed analysis, exhaust emission analysis and medical diagnosis as applications for its passive microwave detector technology. But many companies are reluctant to divert resources.

That is why the Spacelink programme aims to act as an intermediary between the originator of the technology and a company that could develop it commercially. Technology brokers such as JRA promote promising technology via the Internet and through catalogues.

Anne-Marie Hieronimus-Leuba, director of commercialisation at ESA, acknowledges that the transfers achieved to date are modest. The programme has so far cost Ecumil and generated financial revenues from fees for brokers and donors of Ecumil. But she points out that transfers take a minimum of three years to complete and a further two to three years to reach full industrialisation.

As the programme reaches maturity, the benefits of space technology will become more evident close to home, she says. "I am sure that within three years, we will have multiplied the number of transfers by 20-plus and increased profits much more."

Worth Watching - Andrew Baxter



Blue-green lasers show test of time

Tiny lasers are used in compact-disc players and CD-ROM drives to detect digital information, and the amount of data that can be crammed on to a CD depends on the colour of the light used to retrieve it.

Blue-green lasers can pack in at least twice as much information as the infra-red lasers in today's CD players, but until now the lasers have been short-lived.

Now experts from Sony's Yokohama research centre, writing in the Institution of Electrical Engineers' Electronics Letters, report that they have made a blue-green laser which operated at room temperature for more than 100 hours, 10 times longer than earlier lasers using the same materials.

Contact David Douke at IEE, e-mail ddouke@iee.org.uk

Painless way to view LCD

Trying to view a liquid-crystal display (LCD) from an acute angle can be a pain in the neck as one cranes to get a better view while the picture fades into invisibility.

In a conventional LCD, the liquid crystal molecules are sandwiched between thin polymer surfaces that have been rubbed in one direction with a velvet cloth. This helps them change their orientation en masse in response to an electric field, but also produces dust and limits the viewing angle.

New research by Martin Schadt and colleagues from Basle-based Roloc, reported in this week's Nature, has overcome both obstacles.

They have developed a "rubbingless" alignment method in which the surface properties of the polymer films are modified by illumination with polarised ultraviolet light. This can be used to vary the alignment of the molecules within individual pixels, and to "tune" the angle of tilt between the long molecules and the polymer surface.

Roloc, Switzerland, tel 616884584; fax 616881466.

Inferno called to the bar

British Steel has developed a new computer-based system which allows a furnaceman to "see inside" furnaces used to reheat billets for rolling into high-quality bar.

Provisionally named Inferno, the system is a significant advance on previous monitoring and control methods, as it provides an on-line method of predicting reheating performance and regulates furnace conditions to achieve the desired results. The predictive information includes real-time furnace conditions and a model based on historical data.

British Steel, UK, tel (01709

Under control with low-cost micro

A low-cost micro control system, the size of a personal CD-player, has been developed by Sieb subsidiary Foxboro for handling virtually any control requirement in factories and automated commercial buildings.

The "open modular controller" also serves as a communications module which links PLCs (programmable logic controllers) into information networks. This, says Sieb, will allow islands of automation in plants to be networked into an integrated information system.

Foxboro, UK, tel (01293 526000; fax (01293 541312)

Metal wrap shed for nylon coating

Automotive cables, such as those used for the throttle or gear linkages, are normally protected by a coating of polytetrafluoroethylene (PTFE) and an overwrap of closely wound steel. PTFE Fabricators, part of Glywedd's pipe systems division, has come up with a way to overcoat a PTFE extrusion with a thin layer of nylon, reducing the overall weight and the cost by removing the need for the expensive metal over wrap.

PTFE Fabricators, UK, tel (01462 435500; fax (01462 440042

IMPORTANT NOTICE
BANCO FRANCÉS DEL RÍO DE LA PLATA S.A.
Your immediate action is required. If you have any doubt with respect to the contents of this notice, you should consult with your advisors.

EURO DISNEY S.C.A.
CONVERTIBLE BONDS 6.75% - JUNE 1991
NOTICE OF CONVOCATION
The owners of convertible bonds 6.75% June 1991 which constitute the Loan of FF 3,969,000,000 of the Company are invited to attend a General Meeting on May 30, 1996, at 9:00 am at the registered office of the BANQUE NATIONALE DE PARIS 1-3, rue La Fayette, 75009 Paris in order to consider the following agenda:

TO SAVE ALL THESE TREES WE HELP CHOP DOWN THIS ONE.
Tropical hardwood trees are more valuable to loggers than other trees in the rainforest. High prices for hardwoods cause the loggers to have no qualms about destroying other trees that stand in their way.

Gencor Limited (Gencor)
Gengold Limited (Gengold)
Randex Limited (Randex)
Leslie Gold Mines Limited (Leslie)
Bracken Mines Limited (Bracken)
Kinross Mines Limited (Kinross)
Winkelhaak Mines Limited (Winkelhaak)

FINANCIAL SERVICES
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Notice to the Holders of US\$200,000,000
Winbond Electronics Corporation
(Incorporated with limited liability in Taiwan, Republic of China)
2 per cent. Convertible Bonds Due 2003 (the "Bonds")
CUSIP #972657AA8 CINS #Y95873AA6

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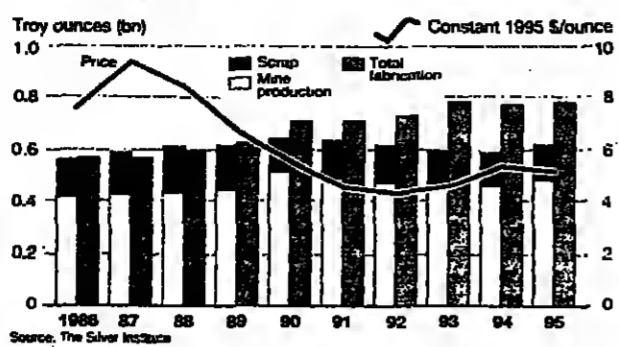
COMMODITIES AND AGRICULTURE

'Indian buying opens silver gap'

By Kenneth Gooding, Mining Correspondent

India and Mexico had a big impact on the global silver market last year, as did speculators who seem to be determined to drive the price up to US\$8 a troy ounce...

World silver market



1994 because, although there was a slight rise in mine production (by 25.1m ounces to 468.8m) after four years of decline and while demand in most sectors was strong...

don spot price of \$5.197 was marginally below the 1994 average.

Scrap - mainly generated from the efficient recycling of the metal used in photography - is now an important component of the silver supply total...

GFMS estimates that demand for silver from the industrial and decorative sector (mainly electrical and electronic applications) last year reached 291.2m ounces...

The debate on the level of stocks is now crucial to the future of the silver market, the survey insists, 'as some speculators have been building positions in recent years. The issue is going to be how long they are prepared to retain those positions and whether, if they do, it will drive the silver price towards the \$8 price they are thought to have targeted.'

World Silver Survey 1996: US\$70 or 145 from GFMS, Greenoak House, Francis Street, London SW1P 1JH, England, or from the Silver Institute, 1112 Sixteenth Street, NW, Suite 240, Washington, DC 20036, USA.

ERA to lift uranium production

By Nikki Tait in Sydney

Energy Resources of Australia, part of the Melbourne-based North group, said yesterday that it had received final approvals to expand mining at its existing Ranger uranium mine in the Northern Territory.

The go-ahead for the mining of the 'Ranger Orebody 3' - which lies within the existing Ranger mine lease boundaries - from the territory government should significantly extend the mine's life. Proven and probable reserves in the new orebody are estimated at 56,615 tonnes of uranium...

The expansion of Ranger comes as ERA is also seeking to develop a new underground mine fairly close to the existing mine facilities. The move is highly controversial, with both anti-nuclear lobbyists and environmentalists strongly opposed. ERA had previously been unable to develop a new mine, given the Labour federal government's restrictive 'three mines' policy...

Agreement 'close' on Western Australian iron ore project

By Nikki Tait in Sydney and Laura Tyson in Taipei

Trading in the shares of Kingstream's, the small Perth-based exploration group, was suspended yesterday, as the company said it was close to an agreement with Taiwan's An Feng company on the development of its AS1bn-plus (US\$350m) Mid-West iron and steel project, near Geraldton.

If successful, the negotiations could bring a second major iron ore processing operation to Western Australia. In a statement to the stock exchange, Kingstream said that final talks with the potential Taiwanese investor were due to take place today and could result in an agreement being signed tomorrow.

Iron Ore Company of Canada will quickly resume normal operations at its Quebec-Labrador mines, concentrators and pellet plant following a 77 per cent union ratification of a new three-year contract, writes Robert Gibbins in Montreal.

The IOC operations were hit by a 40-day strike after an earlier offer was rejected, though shipments to world customers continued from stocks.

The company, which would not immediately reveal details of the new contract, said it expected to ship nearly 17m tonnes of iron ore concentrates and 10.5m tonnes of pellets in 1996 because of strong international markets.

Quebec-Labrador is one of the world's leading iron ore sources. Quebec Cartier settled with its unions last month and the third round of IOC's total capacity of the three producers is around 50m tonnes in concentrates form.

Looking to produce 2.4m tonnes annually of carbon steel slabs, with An Feng entering a 'take-or-pay' contract to acquire Kingstream's share of output. The Taiwanese group would also 'assist' in providing equity finance for the project and arrange debt funding. Kingstream did not put a figure on the development cost, but this is thought to be between AS1.2bn and AS1.4bn. The Mid-West proposal is one of half a dozen iron-ore processing projects being mooted for development in Australia's resource-rich Pilbara region at present. All are seeking to capitalise on the forecast increase in Asian demand for steel and steel-making products into the next century. To date, however, the only project to get a firm go-ahead has been BHP's new direct reduced iron plant at Port Hedland. The AS1.5bn facility was approved last year, and is due to produce 2m tonnes a year of hot briquetted iron, which then could be sold to Asian customers and fed into the new generation of electric arc furnaces. A feasibility study on the Mid-West project started a couple of years ago and was completed at the end of 1995. If the project goes ahead, it would utilise iron ore deposits at Taling Peak, to the north-east of Geraldton. DRI technology would then be used to convert iron ore into feedstock for a local electric furnace facility. Shares in Kingstream were 3 cents down at 78 cents when suspended.

Profit-taking hits gold demand

By Kenneth Gooding

Many German and Japanese investors took their profit on gold bought in 1995 and contributed to a 7 per cent drop in gold demand - to 636 tonnes - in the first quarter this year in those markets monitored by the World Gold Council.

The council, a promotional organisation financed by some gold producers, points out that early last year a combination of circumstances in Japan - including the Kobe earthquake, problems in the financial sector and a record low yen price for the metal - drove demand there to unprecedented levels. So the 53 per cent drop in the first quarter of this year in Japanese investment demand to 20 tonnes came as no surprise.

Similarly, in Germany investors took profits as the price in local currency moved higher. This resulted in a 49 per cent drop in German investment demand to 4.6 tonnes. Overall, the markets covered by the council, which account for about 80 per cent of world gold demand, saw a 50 per cent drop in investment demand for gold. However, demand in other consumption areas held up well when compared with the record demand seen early in 1995.

Ms Helen Junz, director of the council's Gold Economics Service, said: 'After exceptional growth in the first half of 1995, which brought the year's total demand to record levels, an easing of demand in the first quarter was to be expected, especially as there was an upsurge in the gold price this year.' She suggested that for 1996 as a whole, gold demand would 'consolidate at high levels, although perhaps not quite equalling the 1995 records'.

Preussag plans Albanian chromium revival

By Marianne Sullivan in Tirana

Preussag's US\$50m bid has won it the task of revitalising Albania's sagging chromium industry.

The German company will take an 80 per cent share in the eight mines, together with five processing plants, in the country's chromium-rich Bulzice region. It will become the first foreign investor in the sector.

According to officials at Albania's Ministry of Mineral and Energy Resources, Preussag's \$50m will be invested over a five-year period for the modernisation of the existing mines and the ferrochrome and chromium concentrate processing plants and production enhancement facilities.

Albania, one of the world's third largest chromium exporters, has been trying through a combination of foreign investment and European Union aid to revive its mining industry, which collapsed after the country's transition to democracy in 1991. Chromium production in 1996 totalled 243,000 tonnes, down from 1.2m tonnes in 1989. Albania's chromium reserves, heavily centred around the Bulzice mining region, about 200km north-east of Tirana, the capital, are estimated at some 37m tonnes. Preussag's investment was made possible by the passage last year of an Albanian law on mine privatisation, under which foreigners are permitted to own up to 80 per cent of the mines. The other 20 per cent will be owned by Albanian shareholders through the country's voucher privatisation process.

Final terms of the contract are expected to be signed in the coming weeks. The company is reported to be planning to concentrate on ferrochrome exports and the maintenance of all the mines' workers with increased wages. Also planned by the German group, with an additional investment, is the rehabilitation of infrastructure in the area, including the telephone system, roads railways and hospitals.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Antwerp/London Metal Trading)

ALUMINIUM, 99.99% (per tonne)

Close 1620.15-1620.15 1620.15-1620.15

High/Low 1620.15-1620.15 1620.15-1620.15

AM Official 1620.15-1620.15 1620.15-1620.15

Kerb close 1620.15-1620.15 1620.15-1620.15

Open int. 1620.15-1620.15 1620.15-1620.15

Total daily turnover 1620.15-1620.15 1620.15-1620.15

LEAD (per tonne)

Close 843.5-843.5 843.5-843.5

High/Low 843.5-843.5 843.5-843.5

AM Official 843.5-843.5 843.5-843.5

Kerb close 843.5-843.5 843.5-843.5

Open int. 843.5-843.5 843.5-843.5

Total daily turnover 843.5-843.5 843.5-843.5

TIN (per tonne)

Close 8520.00-8520.00 8520.00-8520.00

High/Low 8520.00-8520.00 8520.00-8520.00

AM Official 8520.00-8520.00 8520.00-8520.00

Kerb close 8520.00-8520.00 8520.00-8520.00

Open int. 8520.00-8520.00 8520.00-8520.00

Total daily turnover 8520.00-8520.00 8520.00-8520.00

COPPER, grade A (per tonne)

Close 2750.55-2750.55 2750.55-2750.55

High/Low 2750.55-2750.55 2750.55-2750.55

AM Official 2750.55-2750.55 2750.55-2750.55

Kerb close 2750.55-2750.55 2750.55-2750.55

Open int. 2750.55-2750.55 2750.55-2750.55

Total daily turnover 2750.55-2750.55 2750.55-2750.55

LME ALUMINIUM 3 MONTHS FUTURE (per tonne)

Close 1510.00-1510.00 1510.00-1510.00

High/Low 1510.00-1510.00 1510.00-1510.00

Open int. 1510.00-1510.00 1510.00-1510.00

Total daily turnover 1510.00-1510.00 1510.00-1510.00

LME COPPER 3 MONTHS FUTURE (per tonne)

Close 2650.00-2650.00 2650.00-2650.00

High/Low 2650.00-2650.00 2650.00-2650.00

Open int. 2650.00-2650.00 2650.00-2650.00

Total daily turnover 2650.00-2650.00 2650.00-2650.00

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

May 392.8 +0.9 392.8 392.7 392.8 392.7

Jun 393.5 +0.8 393.5 393.4 393.5 393.4

Jul 394.2 +0.7 394.2 394.1 394.2 394.1

Aug 394.9 +0.6 394.9 394.8 394.9 394.8

Sep 395.6 +0.5 395.6 395.5 395.6 395.5

Oct 396.3 +0.4 396.3 396.2 396.3 396.2

Nov 397.0 +0.3 397.0 396.9 397.0 396.9

Dec 397.7 +0.2 397.7 397.6 397.7 397.6

Total 397.7 +0.2 397.7 397.6 397.7 397.6

PLATINUM NYMEX (50 Troy oz; \$/troy oz)

May 407.3 +3.1 407.3 407.2 407.3 407.2

Jun 408.0 +3.0 408.0 407.9 408.0 407.9

Jul 408.7 +2.9 408.7 408.6 408.7 408.6

Aug 409.4 +2.8 409.4 409.3 409.4 409.3

Sep 410.1 +2.7 410.1 410.0 410.1 410.0

Oct 410.8 +2.6 410.8 410.7 410.8 410.7

Nov 411.5 +2.5 411.5 411.4 411.5 411.4

Dec 412.2 +2.4 412.2 412.1 412.2 412.1

Total 412.2 +2.4 412.2 412.1 412.2 412.1

PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

May 1363.0 +1.0 1363.0 1362.9 1363.0 1362.9

Jun 1363.7 +0.9 1363.7 1363.6 1363.7 1363.6

Jul 1364.4 +0.8 1364.4 1364.3 1364.4 1364.3

Aug 1365.1 +0.7 1365.1 1365.0 1365.1 1365.0

Sep 1365.8 +0.6 1365.8 1365.7 1365.8 1365.7

Oct 1366.5 +0.5 1366.5 1366.4 1366.5 1366.4

Nov 1367.2 +0.4 1367.2 1367.1 1367.2 1367.1

Dec 1367.9 +0.3 1367.9 1367.8 1367.9 1367.8

Total 1367.9 +0.3 1367.9 1367.8 1367.9 1367.8

SILVER COMEX (5,000 Troy oz; \$/troy oz)

May 527.5 +1.6 527.5 527.4 527.5 527.4

Jun 528.2 +1.5 528.2 528.1 528.2 528.1

Jul 528.9 +1.4 528.9 528.8 528.9 528.8

Aug 529.6 +1.3 529.6 529.5 529.6 529.5

Sep 530.3 +1.2 530.3 530.2 530.3 530.2

Oct 531.0 +1.1 531.0 530.9 531.0 530.9

Nov 531.7 +1.0 531.7 531.6 531.7 531.6

Dec 532.4 +0.9 532.4 532.3 532.4 532.3

Total 532.4 +0.9 532.4 532.3 532.4 532.3

ENERGY

CRUDE OIL NYMEX (42,000 US gal; \$/barrel)

May 21.28 -0.14 21.28 21.17 21.28 21.17

Jun 21.35 -0.07 21.35 21.24 21.35 21.24

Jul 21.42 +0.07 21.42 21.31 21.42 21.31

Aug 21.49 +0.07 21.49 21.38 21.49 21.38

Sep 21.56 +0.07 21.56 21.45 21.56 21.45

Oct 21.63 +0.07 21.63 21.52 21.63 21.52

Nov 21.70 +0.07 21.70 21.59 21.70 21.59

Dec 21.77 +0.07 21.77 21.66 21.77 21.66

Total 21.77 +0.07 21.77 21.66 21.77 21.66

CRUDE OIL OPEC (per barrel)

May 19.29 -0.06 19.29 19.18 19.29 19.18

Jun 19.36 -0.05 19.36 19.25 19.36 19.25

Jul 19.43 -0.04 19.43 19.32 19.43 19.32

Aug 19.50 -0.03 19.50 19.39 19.50 19.39

Sep 19.57 -0.02 19.57 19.46 19.57 19.46

Oct 19.64 -0.01 19.64 19.53 19.64 19.53

Nov 19.71 +0.00 19.71 19.60 19.71 19.60

Dec 19.78 +0.00 19.78 19.67 19.78 19.67

Total 19.78 +0.00 19.78 19.67 19.78 19.67

HEATING OIL NYMEX (42,000 US gal; \$/barrel)

May 18.25 -0.05 18.25 18.14 18.25 18.14

Jun 18.32 -0.04 18.32 18.21 18.32 18.21

Jul 18.39 -0.03 18.39 18.28 18.39 18.28

Aug 18.46 -0.02 18.46 18.35 18.46 18.35

Sep 18.53 -0.01 18.53 18.42 18.53 18.42

Oct 18.60 +0.00 18.60 18.49 18.60 18.49

Nov 18.67 +0.00 18.67 18.56 18.67 18.56

Dec 18.74 +0.00 18.74 18.63 18.74 18.63

Total 18.74 +0.00 18.74 18.63 18.74 18.63

GAS OIL OPEC (per barrel)

May 16.75 -0.05 16.75 16.64 16.75 16.64

Jun 16.82 -0.04 16.82 16.71 16.82 16.71

Jul 16.89 -0.03 16.89 16.78 16.89 16.78

Aug 16.96 -0.02 16.96 16.85 16.96 16.85

Sep 17.03 -0.01 17.03 16.92 17.03 16.92

Oct 17.10 +0.00 17.10 16.99 17.10 16.99

Nov 17.17 +0.00 17.17 17.06 17.17 17.06

Dec 17.24 +0.00 17.24 17.13 17.24 17.13

Total 17.24 +0.00 17.24 17.13 17.24 17.13

NATURAL GAS NYMEX (10,000 mmscf; \$/mmscf)

May 2.275 +0.002 2.275 2.250 2.275 2.250

Jun 2.280 +0.002 2.280 2.255 2.280 2.255

Jul 2.285 +0.002 2.285 2.260 2.285 2.260

Aug 2.290 +0.002 2.290 2.265 2.290 2.265

Sep 2.295 +0.002 2.295 2.270 2.295 2.270

Oct 2.300 +0.002 2.300 2.275 2.300 2.275

Nov 2.305 +0.002 2.305 2.280 2.305 2.280

Dec 2.310 +0.002 2.310 2.285 2.310 2.285

Total 2.310 +0.002 2.310 2.285 2.310 2.285

UNLEADED GASOLINE NYMEX (42,000 US gal; \$/barrel)

May 1.450 +0.001 1.450 1.425 1.450 1.425

INTERNATIONAL CAPITAL MARKETS

German bonds and French OATs outperform

By Samer Iskandar in London and Lisa Bransten in New York
European markets traded quietly ahead of today's Ascension Day holiday in several countries. The release of the European Commission's economic forecasts for 1997 came too late to have any significant effect on the markets.

US Treasuries overhauled fell by 6 basis points to 30 points. Although the European Commission's forecasts showed that Germany's public debt next year was likely to be in excess of the imposed limit of 60 per cent of GDP, economists said this was unlikely to raise doubts over the feasibility of European monetary union.

The French Treasury announced yesterday that Cades, the institution created to manage the accumulated debts of the French social security system, is to launch a global commercial paper programme to raise in the region of FF350bn by the end of next month, Reuters reports.

Life's June long gilt future settled at 106 1/2, down 3/4. The 10-year benchmark gilt, the 7 1/2 per cent bond due 2006, closed at 98 1/2, down 1/4. Data released yesterday showed that the rate of growth in average earnings had accelerated to 3.75 per cent in March and unit wage costs in manufacturing had risen by 4.1 per cent year-on-year.

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JP Morgan, Reuter in RiskMetrics link

By Richard Lapper
JP Morgan, the US bank, and Reuters, the international news and financial information organisation, have agreed in principle to collaborate in the development of Morgan's RiskMetrics risk management database and methodology.

Products could also be developed to allow users to track the value of more complex financial instruments, such as derivatives including embedded options. Users will be able to access the new extended RiskMetrics data-set through new database search facilities being built by Reuters for all the data that it provides.

Some traders said the forecasts for France and Germany, which showed both being very close to meeting the Maastricht criteria for European monetary union, appeared somewhat too optimistic. German bonds and French OATs outperformed other European markets.

French bonds closed lower, in line with bonds. Matif's June notional future settled at 133.20, down 0.22. In the cash market, the 7 1/2 per cent OAT due 2006 closed at 105.52, down 0.22. Its yield spread over the equivalent bond unchanged at 3 basis points.

UK gilts continued to trade in a relatively tight range, but closed lower after the release of slightly stronger than expected labour statistics. Life's

Italian bonds ended lower, with market participants awaiting the details of an imminent mini-budget. Life's June BTP future settled at 114.41, down 0.29, but slid further in after-hours trading to 114.25. In the cash market, the 10-year yield spread over bonds widened by 4 basis points to 337 points.

Analysts were divided over the likelihood of this spread tightening further. Mr Kirit Shah at Sanwa International believes the rally "will soon run out of steam".

For example, excluding the motor vehicle sector, production and correlation are published on the Internet and in other information services. Under the agreement, Reuters will take over responsibility for the daily production of RiskMetrics data. In addition, it will work with Morgan to develop ways for users to select data on the basis of their own particular requirements.

Toyota sees strong demand for \$750m 'euro-Asian' issue

By Corvener Middelmann
Ahead of national holidays in most of Europe today, the eurobond market saw substantial volumes of new paper yesterday, featuring several large deals in US dollars and D-Marks.

Toyota Motor Credit Corp's \$750m issue of five-year bonds saw strong demand and was sold out shortly after launch. Lead managers CS First Boston and Merrill Lynch said.

According to Lehman Brothers, joint lead manager with Morgan Stanley, the bonds met a good response, largely from European institutions.

In the floating-rate market, Italy's Banca di Roma issued \$500m of seven-year notes yielding 13.5 basis points over Libor at the re-offer price.

Israel's \$250m yankee bond, which was issued in December last year, was the country's first foray into the international capital markets without the backing of US loan guarantees.

With a samurai issue in 1997, he said. "First we want to set benchmarks in all the main markets, and eventually we will do global offerings," Mr Brodet said.

INTERNATIONAL BONDS

"There had been a lot of talk that they were planning a D-Mark issue, but the arbitrage was so bad we thought they'd abandoned the project," said a Frankfurt syndicate official. One dealer pointed out that the bonds' 7 basis point spread compares favourably with the World Bank's bonds due 2003, which yield around 5 basis points above bonds.

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Telefonica del Peru ADSs

By Richard Lapper
Telefonica del Peru, has filed with the US Securities and Exchange Commission to sell some \$100m in American depositary shares, representing some 50m class B shares.

An amendment to the SEC registration statement detailing the final size of the issue will be filed next month after pre-marketing is completed. The issue, likely to be one of the biggest this year by any Latin American company, is expected to raise up to \$135m.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Includes entries for US DOLLARS, EURO-MARKETS, and STERLING.

FT-ACTUARIES FIXED INTEREST INDICES

Table with columns: Index, Price, Yield, etc. Includes US 5 Year, UK 5 Year, etc.

FT FIXED INTEREST INDICES

Table with columns: Index, Price, Yield, etc. Includes US 5 Year, UK 5 Year, etc.

FT/ISMA INTERNATIONAL BOND SERVICE

Table with columns: Issued, Bid, Offer, etc. Lists various international bonds.

US INTEREST RATES

Table with columns: Term, Rate, etc. Lists US Treasury Bill and Bond Yields.

BOND FUTURES AND OPTIONS

Table with columns: Instrument, Price, etc. Lists various bond futures and options.

UK GILTS PRICES

Table with columns: Instrument, Price, etc. Lists UK Government Gilts.

OTHER FIXED INTEREST

Table with columns: Instrument, Price, etc. Lists various fixed interest instruments.

WORLD BOND PRICES

Table with columns: Instrument, Price, etc. Lists various world bond prices.

BENCHMARK GOVERNMENT BONDS

Table with columns: Instrument, Price, etc. Lists benchmark government bonds.

EURO-FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Table with columns: Instrument, Price, etc. Lists Euro-futures options.

ITALY

Table with columns: Instrument, Price, etc. Lists Italian bond prices.

EURO BOND FUTURES (MATIF) FF500,000

Table with columns: Instrument, Price, etc. Lists Euro bond futures.

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RV TRUSTS SPLIT CAPITAL - Cont.

Table listing RV Trusts with columns for Name, Price, and other financial metrics.

LEISURE & HOTELS - Cont.

Table listing Leisure & Hotels companies with columns for Name, Price, and other financial metrics.

OTHER FINANCIAL - Cont.

Table listing Other Financial companies with columns for Name, Price, and other financial metrics.

PROPERTY - Cont.

Table listing Property companies with columns for Name, Price, and other financial metrics.

SUPPORT SERVICES - Cont.

Table listing Support Services companies with columns for Name, Price, and other financial metrics.

AIM - Cont.

Table listing AIM companies with columns for Name, Price, and other financial metrics.

LIFE ASSURANCE

Table listing Life Assurance companies with columns for Name, Price, and other financial metrics.

MEDIA

Table listing Media companies with columns for Name, Price, and other financial metrics.

PAPER, PACKAGING & PRINTING

Table listing Paper, Packaging & Printing companies with columns for Name, Price, and other financial metrics.

RETAILERS, FOOD

Table listing Retailers, Food companies with columns for Name, Price, and other financial metrics.

RETAILERS, GENERAL

Table listing Retailers, General companies with columns for Name, Price, and other financial metrics.

PHARMACEUTICALS

Table listing Pharmaceuticals companies with columns for Name, Price, and other financial metrics.

TELECOMMUNICATIONS

Table listing Telecommunications companies with columns for Name, Price, and other financial metrics.

TEXTILES & APPAREL

Table listing Textiles & Apparel companies with columns for Name, Price, and other financial metrics.

TOBACCO

Table listing Tobacco companies with columns for Name, Price, and other financial metrics.

TRANSPORT

Table listing Transport companies with columns for Name, Price, and other financial metrics.

AMERICANS

Table listing American companies with columns for Name, Price, and other financial metrics.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and other financial metrics.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and other financial metrics.

OTHER INVESTMENT TRUSTS

Table listing Other Investment Trusts with columns for Name, Price, and other financial metrics.

INVESTMENT COMPANIES

Table listing Investment Companies with columns for Name, Price, and other financial metrics.

OIL EXPLORATION & PRODUCTION

Table listing Oil Exploration & Production companies with columns for Name, Price, and other financial metrics.

OIL, INTEGRATED

Table listing Oil, Integrated companies with columns for Name, Price, and other financial metrics.

PROPERTY

Table listing Property companies with columns for Name, Price, and other financial metrics.

RETAILERS, GENERAL - Cont.

Table listing Retailers, General companies with columns for Name, Price, and other financial metrics.

SUPPORT SERVICES

Table listing Support Services companies with columns for Name, Price, and other financial metrics.

WATER

Table listing Water companies with columns for Name, Price, and other financial metrics.

AIM

Table listing AIM companies with columns for Name, Price, and other financial metrics.

LEISURE & HOTELS

Table listing Leisure & Hotels companies with columns for Name, Price, and other financial metrics.

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FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda (SIB Recognised) funds including Royal Bank of Canada QVS Fd Mgrs Ltd - Const. and various other fund names with their respective prices and changes.

BERMUDA (REGULATED)**

Table listing Bermuda (Regulated) funds including various international and regional fund managers.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey (SIB Recognised) funds including various international and regional fund managers.

IRELAND (SIB RECOGNISED)

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FT MANAGED FUNDS SERVICE

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Handwritten note: 27/1/1996

Table of fund prices including columns for fund name, price, and change. Includes sections for Credit Commercial de France, Merrill Lynch Asset Management, and various international funds.

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Table of fund prices including columns for fund name, price, and change. Includes sections for Global Asset Management, M&T Unit Trust Managers, and various international funds.

Table of fund prices including columns for fund name, price, and change. Includes sections for M&T Unit Trust Managers, Regent Capital Management, and various international funds.

Table of fund prices including columns for fund name, price, and change. Includes sections for Regent Capital Management, various international funds, and offshore insurances.

Table of fund prices including columns for fund name, price, and change. Includes sections for various international funds, offshore insurances, and a detailed 'MANAGED FUNDS NOTES' section.

OFFSHORE INSURANCES

MANAGED FUNDS NOTES: This page is printed using... The fund prices on this page are also available on the Internet at www.ft.com

LONDON STOCK EXCHANGE

MARKET REPORT

UK stocks in good form as Wall St nears record

By Steve Thompson, UK Stock Market Editor
Wall Street was again mainly responsible for the continuing strength of the UK equity market...

economic news. London dealers, pointing out that Wall Street is now only 50 points short of its all-time closing record...

of a series of disappointing economic news items. These included a higher than forecast increase in underlying average earnings for March...

one of the big positives for the market last year, was illustrated at the outset of trading when PowerGen, a late strong performer on Tuesday...

over action concerning Bank of Scotland, Royal Bank of Scotland and Standard Chartered. Dealers said much of Tuesday's hectic activity...

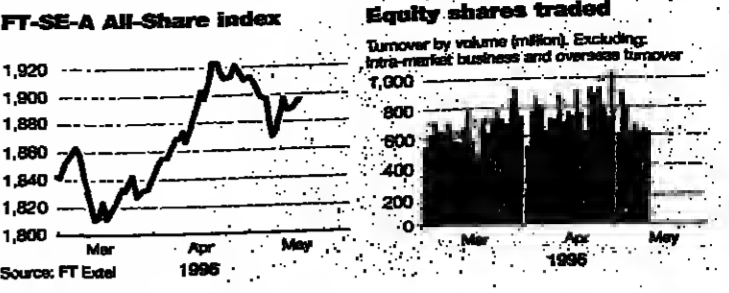


Table with 2 columns: Indices and ratios, and Best performing sectors. Lists various indices like FT-SE 100 and sectors like Oil, Integrated, etc.

All-time high for Shell

Prospects of radical restructuring sent Shell Transport shares rocketing to an all-time closing high yesterday.

There is an argument that it will use the occasion to announce big cost cutting in its European downstream operations.

The company is expected to cut staff and sell one or two refineries. Merrill Lynch has been citing potential cost cuts as one reason to recommend the shares aggressively.

There was further support from a strong oil price, a comforting annual meeting statement yesterday, and a belief that disappointing fourth-quarter figures at the end of last year were an anomaly.

Consequently, the stock moved rapidly up an advance of 25 to 339p. Electronics group Amstrad, a strong market lately following

an institutional visit, crashed lower on news that Danacal, its mobile handsets business, would not make a profits contribution this year.

Most analysts took a savage knife to their forecasts, and the shares reacted with equal violence. The stock ended as the day's heaviest faller, off 32% at 173p.

NatWest Securities had pencilled in 55m from Danacal for this year. But with the handset market facing a price squeeze from industry oversupply, the broker has cut its estimate of total Amstrad profits for 1995-96 from £12m to £6.5m.

NatWest has also trimmed for next year, coming back by £4.5m to £22m. However, volume growth at Danacal remains impressive, "Amstrad is a quality stock, long term," the broker said.

Heavy derivatives trading in motor engineer Lucas Industries sent a buzz through the market. The shares ended 2 better at 239p in 4.6m trade, but it was the action in the option pits that caught the eye.

Lucas announced that it was in joint venture talks with Varty, of the US, earlier this month, since when speculative interest in the shares has been intense. Rumours of a counter-measure within the industry have been rife, with Siemens, of Germany, topping most brokers' lists of possible predators.

Yesterday's options volume, the equivalent of 11.4m shares, appeared to be mostly made up of one big straddle trade of 5,000 lots. "It is a very positive punt," said one top options dealer.

Bank stocks moved higher as ABN Amro Hoare Govett raised its recommendation on the sector and one leading US broker was said to have carried out big business in tailor-made options.

Subsequently the shares turned off, with additional impetus from the overhang of regulatory concern, which has been revived by the tough ruling on British Gas. The latter's shares slipped 6% to 138p.

Airports group BAA took a knock as regulatory worries caught up with the stock. The company negotiates on pricing with the Monopolies and Mergers Commission every five years. It is talking with the MMC currently, and analysts expect the results of the price review to be made public in July.

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The market had been worried that the company might refuse to carry out the £1.7bn sale of three power stations. PowerGen was less aggressive than feared and the shares were up 10 in early trading.

However, analysts had also factored in a 100p a share return to shareholders. In the event, PowerGen said it was prepared to hand back about half that amount, and then

for several months. Subsequently the shares turned off, with additional impetus from the overhang of regulatory concern, which has been revived by the tough ruling on British Gas.

Biotechnology group Celltech jumped 38 to 67p, as it announced improved interim results and said it had made important progress on several drug discovery programmes.

Conglomerate Williams Holdings shot ahead following news of £17m worth of French fire protection deals. The shares ended 7 better at 329p in 6m trade.

Countdowns was the Footsie's star performer after BZW retreated 1% on buyback news on the stock. ahead of figures next week. The shares forged ahead 16 to 42p.

Food retailers were again a feature as Argyll Group published full-year figures. However, the market was unexcited by the figures and one analyst said: "It is all a big yawn. It is all there, good profits, etc. but so what."

The shares, which have outperformed the market by around 9 per cent since the beginning of the year, lost 3 to 340p in heavy trade of 8.4m.

Elsewhere in the sector, Asda Group was a good trade and volume jumped to 30m as the shares edged forward 4 to 118p. Sentiment was said to have been enhanced by a positive presentation to investors on Tuesday at Kleinwort Benson. Tesco was reported to have made a presentation at the same meeting. The shares hardened 2 to 289p.

Marks and Spencer lost 5/2 to 429p, ahead of results due next week, for which there is a wide span of forecasts. Analysts are worried about weaknesses in a number of lines, including ladies' outerwear.

Innovations, the mail order business, moved up 9 to 201p on continuing speculation that a big rival might be interested in buying it. In the drinks sector, Greenalls plunged 20% to 380p after

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its interims, with a number of marketmakers reducing their holdings. There was a large seller of Guinness, yet it was marked up 5 to 489p ahead of Grand Metropolitan's results due today, with the latter nudging up a penny to 446p.

Sparkling figures from Perpetual, the fund manager, saw the shares gain 10p to 2,458p. The dividend was lifted by 72 per cent.

Eurodis Electron rose as an oversupply position unwound, following the placing of the 40 per cent stake in the group held by Swiss utility Elektro- watt. The shares improved 4 to 230p in 4m trade.

MARKET REPORTERS: Peter John, Joel Kibazo, Jeffrey Brown, Lisa Wood.

Table titled 'LONDON RECENT ISSUES: EQUITIES' showing price, change, and volume for various companies like Active Imaging, AMI, etc.

Table titled 'FT GOLD MINES INDEX' showing index value, change, and components like AngloGold, Barrick, etc.

Table titled 'FT-SE Actuaries Share Indices' showing indices for FT-SE 100, FT-SE Mid 250, etc.

Table titled 'The UK Series' showing various UK indices like FT-SE 100, FT-SE Mid 250, etc.

Table titled 'FT-SE Actuaries All-Share' showing all-share indices for FT-SE 100, FT-SE Mid 250, etc.

Table titled 'MINERAL EXTRACTIONS' showing various mineral extraction indices.

Table titled 'NON-FINANCIAL SECTORS' showing various non-financial sector indices.

Table titled 'FINANCIAL SECTORS' showing various financial sector indices.

Table titled 'INVESTMENT TRUSTS' showing various investment trust indices.

Table titled 'Hourly movements' showing hourly price changes for various indices.

Table titled 'FUTURES AND OPTIONS' showing futures and options prices for FT-SE 100, FT-SE Mid 250, etc.

Table titled 'FT-SE 100 INDEX OPTION (LIFE) (377) £10 per full index point' showing option prices.

Table titled 'EURO STYLE FT-SE 100 INDEX OPTION (LIFE) £10 per full index point' showing option prices.

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Table titled 'Major Stocks Yesterday' showing closing prices and changes for various stocks.

SPOT THE REFUGEE

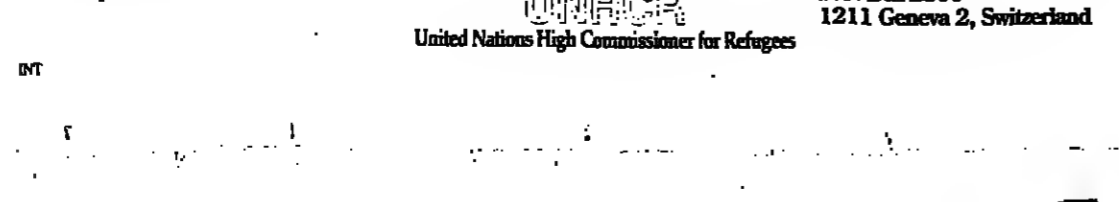
There he is. Fourth row, second from the left. The one with the moustache. Obvious really. Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbour-hood slob with a grubby vest and a weekend's stubble on his chin.

SPOT THE REFUGEE

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing. And nothing is all they'll ever have unless we all extend a helping hand. We know you can't give them back the things that others have taken away.

SPOT THE REFUGEE

We're not even asking for money (though every cent certainly helps). But we are asking that you keep an open mind. And a smile of welcome. It may not seem much. But to a refugee it can mean everything.



Additional information on the FT-SE Actuaries Share Indices is published in Actuarial Issues. The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. FT-SE and 'Footsie' are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under license. Auditor: The Wm Company. Sector P/E ratios greater than 60 and net covers greater than 30 are not shown. Values are negative.

WORLD STOCK MARKETS

Table of world stock markets including sections for EUROPE, ASIA, PACIFIC, US INDICES, and various regional indices. Includes columns for stock names, prices, and changes.

Advertisement for Rockwell: 'By meeting customer needs, Rockwell has become a world leader in components and systems for cars, trucks and trailers. Rockwell logo and text.

Table of US indices and futures markets, including Dow Jones, S&P 500, and various futures contracts. Includes columns for index names, values, and changes.

Footnote and disclaimer text: 'The FT-1000 index is a composite of 1000 stocks... The FT-1000 index is a composite of 1000 stocks...'

4 pm close May 15

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock name, price, and change. Includes sub-sections for 'D', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

Advertisement for Hewlett-Packard with text: 'Perfect synergy. If the business decisions are yours, the computer system should be ours. http://www.hp.com/go/computing'.

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4 pm close May 15

NYSE PRICES

Main NYSE PRICES table with columns for stock symbols, prices, and changes. Includes sub-sections for 'Continued from previous page', 'A-Z', and 'X-Y-Z'.

NASDAQ NATIONAL MARKET

4 pm close May 15

Main NASDAQ NATIONAL MARKET table with columns for stock symbols, prices, and changes. Includes sub-sections for 'Continued from previous page', 'A-Z', and 'X-Y-Z'.

AMEX PRICES

4 pm close May 15

AMEX PRICES table with columns for stock symbols, prices, and changes.

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Continuation of NYSE and NASDAQ stock price data, including various market indices and individual stock listings.

AMERICA

Boost for tech stocks leads equities higher

Wall Street

Signs that computer sales remained strong boosted the technology sector and helped to lead the broader market higher at mid-session, writes Lisa Bransford in New York.

The technology-rich Nasdaq composite and the Standard & Poor's 500 posted gains, putting them on track to surpass the closing records set on Tuesday. The S&P was 2.26 stronger at 677.86 and the Nasdaq had added 7.29 at 1,334.49 by 1 pm.

During morning trading, the Dow Jones Industrial Average came within 17 points of the closing peak of 5,889.74 set on April 3. By 1 pm, however, the Dow was off its session high and displayed a gain of 28.07 at 5,862.78. The American Stock Exchange composite edged up 0.91 to 801.69. New York SE volume had reached 372m shares.

Leading the technology shares higher was Dell Computer, which reported after the market closed on Tuesday that its earnings rose 33 per cent to 84 cents a share in its first quarter, 11 cents ahead of the mean estimate from analysts. The computer maker climbed 3/4 of 9 per cent to \$51 1/4.

Applied Materials also announced stronger than expected earnings late on Tuesday, but the shares slipped 3/8

to \$39 1/4. Earnings at the semiconductor company were \$1.01 per share, just a cent ahead of estimates.

Internet-related companies were particularly strong on a spate of separate announcements. The Interactive Wheel index of Internet companies added 1.4 per cent in mid-session trading.

Netscape Communications, the Internet software company, was up \$4 or 6 per cent at \$70 1/2 after the company announced that Hewlett-Packard would include Netscape products in the software products that accompany its personal computers. HP shares added 3 1/2 per cent to \$114.

PSINet, the Internet service provider, appreciated \$1 or 6 per cent to \$18 after announcing that it had hired Merrill Lynch, the US investment bank, to help in the possible sale of an interest in the company. Netcom On-line Communication Services, another service provider, moved ahead \$3 1/2 or 9 per cent to \$39 1/2.

The entire sector had posted good gains since late last month when MFS Communications, the specialty telecommunications company, agreed to acquire UUNet, another service provider.

Elsewhere, Woolworth hardened \$ 1/4 to \$19 after reporting a smaller than expected loss for the first quarter. The retailer revealed a deficit of 17

cents a share, 13 cents a share less than most analysts had forecast.

Canada

Toronto moved ahead to a new intraday record high in late morning trade, bolstered by advances in consumer products, banks and golds. By noon, the TSE-300 index had edged back from a peak of 5,228.91, but it was still 17.51 up at 5,224.10 in very heavy volume of 62.6m shares.

Analysts noted strength in banks as investors sold base metal stocks to switch into interest rate-sensitive issues.

Among energy stocks, which dominated the top 10 most active issues, Ranger Oil rose 30 cents to \$39.50.

QLT PhotoTherapeutics advanced \$2.20 to \$29.90 on news that its light therapy could be used to treat eye diseases. Potash Corp of Saskatchewan jumped \$3.40 to \$91.20 in moderate trading.

SOUTH AFRICA

Johannesburg was mixed, with industrials reversing sharp early gains on profit-taking and golds firm on a marginally better bullion price. The overall index ended 19.0 down at 6,826.0. Industrials finished 44.3 lower at 7,952.9 and golds picked up 19.7 to 8,029.2. De Beers shed 50 cents to R143.

EUROPE

Kaufhof stands out in sleepy Frankfurt

On the run-in to today's Ascension Day holiday, senior bourses were unwilling to respond to yesterday's touch on the Wall Street accelerator.

FRANKFURT was lethargic after the Bundesbank left key interest rates unchanged, the Dax index ending 6.20 higher at an intraday peak of 2,634.40. Turnover eased from DM\$8.9bn to DM\$3.2bn.

Kaufhof stood out with a rise of DM13 to DM512, its quoted partner in the Metro merger. Asko, put on DM15 at DM375. Both retailers were up 7.1 per cent on the month, against a Dax gain of just 1.7 per cent.

Mr Harry Christophoulos at BZW in Frankfurt said his fair value estimates for the stocks were DM651 and DM11.277 respectively, indicating discounts of 19 and 24 per cent at last night's prices.

PARIS concentrated on individual stories as the CAC-40 index advanced 2.56 to 2,124.64. Renault continued to suffer on news that the government's stake in the vehicle manufacturer was to fall below 50 per cent. The shares lost FF1.70 to FF119.45, indicating a discount of 19 and 24 per cent at last night's prices.

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Schneider, the electrical and construction group, which reported a 7 per cent gain in first-quarter sales, rose FF7.20 or 3 per cent to FF243.2, while Docks de France recovered from Tuesday's heavy fall, putting on FF173, or 7.5 per cent, at FF1,054. Another gainer was Lafarge, ahead FF216.10 at FF346.80 on better than expected first-quarter sales data. Unior Seclior made FF2.15 to FF74.75 on a similar story.

MILAN paused after the rally of the previous four sessions, awaiting tomorrow's options expiry, and the Comit index eased 1.53 to 685.42.

Parmalet, the dairy products and foods group, dropped 7.5 per cent in early trade before picking up to close L\$8 lower at L1.727 on Tuesday's unexpected news that it was planning a rights issue to raise at least L500bn to cut debt and fund further expansion.

Mr Roberto Bogoni at Merrill Lynch stayed cautious on the stock: he cited a sharp reduction in its dividend, indicating a desperate need for cash; the capital increase and earnings dilution; and uncertainty about the allocation of the new financial resources.

Among the winners, Eni remained on its recent roll, adding L106 to L7,138.

ZURICH looked to 6 drinks sector merger for excitement as the broad market gave up

FT-SE Actuaries Share Indices

May 15	THE EUROPEAN SERIES				
	10.30	11.00	12.00	13.00	15.00
FT-SE 100	1081.70	1081.44	1081.00	1081.32	1082.20
FT-SE 250	1729.57	1729.27	1727.58	1728.01	1729.27
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early gains on profit-taking and a weak domestic bond market, and the SMI index shed 9.9 to 3,572.5.

Shares in Huerlimann, the brewer, were punished as the market adjusted prices for the planned merger with the country's largest beverage group, Feldschloessen.

Although the industrial logic of the move was regarded as positive for both companies, analysis said that the fall in Huerlimann's shares was a reaction to the complexity of the transaction. Investors were also disappointed that the merged group would maintain three types of securities, bearer, registered and participation certificates, countering the recent trend towards simplifying share structures.

Huerlimann's certificates plunged 8.6 per cent to SF725, the bearers declined 7 per cent to SF740 and the registered were down 5 per cent to SF735.

Feldschloessen's thinly

traded participation certificates were up 9.1 per cent to SF71,200, while the more liquid bearers and registered were unchanged.

AMSTERDAM was winding down for today's holiday, while the expiry of options tomorrow was an added factor in keeping activity quiet. Royal Dutch provided an exception with a gain of F18.30 to F1263.70 following forecasts of a rise in US petrol prices and an increase in demand during the summer.

The AEX index closed 1.03 firmer at 588.93.

Another good move was recorded by Ballast Nedam, up F15.50 at F174.80, as a broker raised its recommendation on the stock owing to the building and dredging group's promising order book.

HELSINKI again featured the apparently unstoppable Raisio, which roared another FM40 higher to FM271 as the Hex index picked up 23.76 to 1,990.89, in OSLO, where the total index eased 2.25 to 818.78.

the newly merged Nycomed A added Nkr0.50 at Nkr142.50 and Haflund A dipped Nkr4.50 to Nkr52. Uni Storebrand lost Nkr0.80 to Nkr228.10 on results. COPENHAGEN was flat, the KFX top 20 index rising 0.17 to 113.76 as FLS picked up another DKr4 to DKr612, taking its rise since the start of the year to 40 per cent. STOCKHOLM saw the debut of Swedish Match, up SKr21.90 from an opening SKr20 as the Affarvärlden General index rose 2.8 to 1,973.1.

ATHENS saw OTE, the privatised telecoms stock, react to the threat of court proceedings involving a contract with a switch supplier. The stock, expected to enter the general index next week with an 11 to 12 per cent weighting, fell below its IPO price, closing Dr40 lower at Dr3,990, after a high of Dr4,560 on April 27. The index itself closed 7.38 lower at 911.97.

ISTANBUL slid by 4.7 per cent after the Islamist opposition succeeded in banning Turkey's constitutional court, invalidating a March confidence vote in the Conservative coalition. The composite index picked up from a morning low of 63,270, but it still lost 3,206.41 at 64,562.11.

Written and edited by William Cochrane, Michael Morgan and John Pitt

Buenos Aires ahead 2% by noon

A rally in ADRs helped BUENOS AIRES to a mid-session gain of 1.9 per cent. The Merval index was up 11.66 at 555.83. Brokers noted that the ADRs of YPF, the oil group, were 3 per cent ahead in early dealings on Wall Street. They also said that hopes for an upturn in the economy were helping sentiment.

SAO PAULO, which had risen nearly 1 per cent on Tuesday, continued to gain ground. The Bovespa index added 52.18 at 54,302 by mid-session. Investors were encouraged by a vote in the lower house which had approved a bill regula-

ting the opening up of cellular, satellite and wireless communications.

Analysts said first-quarter results from Telefonos later in the session could provide additional support. Brokers' estimates were for profits of between \$400m and \$600m.

MEXICO CITY started slightly weaker as investors took profits and by mid-session the IPC index was 32.22 points easier at 3,216.11.

A fall in domestic interest rates late on Tuesday provided some support, but activity was generally muted.

ASIA PACIFIC

Nikkei climbs 3.5% in biggest rise this year

Tokyo

Equities scored their biggest daily gain this year, the Nikkei average climbing 3.5 per cent as receding concerns over an imminent interest rate rise combined with technical influences and a further gain in the dollar against the yen, writes Emilio Terrazano in Tokyo.

The Nikkei index rose 64.32 to 22,055.97, having touched 21,371.38 and 22,080.79. Worries over rising interest rates receded due to the Bank of Japan's generous infusion of funds into the money market on Tuesday, which pushed the overnight call rate to match its record low of 0.38 per cent.

Mr Yasuo Matsuura, governor of the BoJ, confirmed that its monetary policy was unchanged, while Mr Eisuke Sakthara of the Ministry of Finance cautioned investors expecting interest rates to rise, prompting yen selling.

In addition, US hedge funds placed large orders in the Osaka futures market, triggering arbitrage buying. The sharp rise in share prices forced investors with short positions to buy back shares, pushing the index up even further, said Mr Yasuo Ueki at Nikko Securities.

Volume was 542m shares, against 291m. Overseas investors, recently inactive, bought stocks and shipbuilders, while individuals continued to trade speculative favourites.

The Toxix index of all first section stocks rose 38.15, or 2.3 per cent, to 1,690.16 and the Nikkei 300 by 7.39, or 2.4 per cent, to 312.77. Advances outpaced declines by 1,038 to 114, with 84 issues unchanged.

In London the LSE/Nikkei 50 index gained 2.84 at 1,476.15.

The yen's depreciation helped export-oriented companies. Among high-technology stocks, Toshiba climbed ¥18 to ¥842 and Matsushita placed a record ¥140 to ¥1,830. Carmakers had Toyota Motor ahead ¥30 at ¥2,370 and Nissan Motor up ¥20 at ¥822.

Bombay

Nippondenso, a car parts maker and a subsidiary of Toyota, gained ¥100 at ¥2,270 on its announcement that it will purchase ¥200m worth of its own stock this year. Individuals bought Copal, a camera shutter maker, which rose ¥100 to ¥1,110.

In Osaka, the OSE average put on 415.39 at 23,353.17 in 75.7m share volume. Nintendo, the video game maker, moved forward ¥120 to ¥8,550.

Roundup

News that Mr Atal Behari Vajpayee, the BJP prime ministerial candidate, would be sworn in today heralded an intra-day recovery in BOMBAY, and a sharp drop in KARACHI.

Indian equities finished sharply up from the day's lows, as speculators tried to keep up with the fast moving political action. The BSE-30 index rebounded from 3,728.86 to finish 6 net 13.94 off at 3,796.29.

In Pakistan the prospect of a Hindu nationalist as Indian prime minister left the KSE 100 index down 39.31, or 2.2 per cent, at 1,735.10 and dealers said prices were likely to fall further today.

SINGAPORE dropped 1.9 per cent, led by falls in property issues on a government package of measures to curb property speculation.

The Straits Times Industrial

index lost 43.67 to 2,321.50 and the SES property index recovered from its low of 677.69 to end at 690.61, still 40.24, or 5.5 per cent, down.

DEB Land led the actives list and fell 39 cents to \$4.86.

HONG KONG largely overlooked the expected announcement of US trade sanctions against China, past experience suggesting that there would be a deal during the 30-day period before sanctions took effect.

The Hang Seng index ended 45.95 higher at 10,863.89 in turnover of HK\$4.4bn.

HSBC moved ahead HK\$1 to close at HK\$114.50, while Cheung Kong continued to outperform other key developers, advancing HK\$1 to HK\$53.60.

TAIPEI questioned the quality of the rally which had been taking place ahead of next Monday's presidential inauguration, and the weighted index, which topped 6,200 briefly in early trade, eventually closed 60.42 lower at 6,095.41.

WELLINGTON'S NZSE-40 index fell 12.52 to 2,069.12. Results from Telecom, 8 cents weaker at NZ\$5.99, were in line with expectations; brokers were less happy about capital expenditure projections for the current year.

BANGKOK saw impressive first-quarter results in the energy sector: Electricity Generating rose Bt2.50 to Bt4 as the SET index moved 7.34 higher to 1,336.60.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms		Local currency terms	
		May 10 1996	% Change over week	May 10 1996	% Change over week
Latin America	(247)	525.18	+2.4	+11.3	
Argentina	(31)	888.49	+2.7	+11.1	545,390.23
Brazil	(68)	342.48	+2.9	+12.2	1,273.71
Chile	(43)	749.95	+2.6	+0.2	1,210.38
Colombia	(15)	648.31	-0.5	+8.4	1,219.07
Mexico	(66)	538.55	+2.2	+18.8	1,728.19
Peru	(20)	204.46	+3.2	+3.7	302.23
Venezuela	(5)	493.43	+8.7	+47.6	5,293.07
Asia	(631)	271.03	-0.3	+6.7	
China	(23)	57.51	-3.8	+8.3	60.47
South Korea	(146)	132.00	-2.2	+4.9	135.14
Philippines	(25)	308.61	+6.5	+18.9	390.04
Taiwan, China	(63)	138.33	+1.3	+22.7	141.08
India	(74)	107.73	-3.6	+25.3	126.52
Indonesia	(44)	123.89	+2.0	+15.8	160.84
Malaysia	(123)	324.13	-1.2	+19.5	297.64
Pakistan	(25)	302.55	+6.6	+24.7	478.77
Sri Lanka	(5)	109.51	+0.4	+5.2	130.89
Thailand	(72)	384.41	+0.6	+2.3	383.30
Caribbean East	(269)	140.95	-4.2	-0.5	
Greece	(47)	245.44	+1.1	+1.6	404.36
Hungary	(5)	161.05	+4.3	+63.6	296.85
Jordan	(9)	174.70	-1.9	-5.4	260.78
Poland	(22)	694.55	+6.9	+82.9	1,161.15
Portugal	(26)	122.29	-0.4	+8.6	131.75
South Africa	(53)	231.90	-1.6	+10.1	238.01
Turkey	(54)	144.42	-3.6	+38.2	5,298.04
Zimbabwe	(5)	368.21	+1.9	+34.1	533.05
Composite	(1116)	304.85	+0.3	+10.6	

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base index Dec 1989-1990 except those noted which are (Y) Feb 1 1991; (D) Dec 31 1992; (S) Jan 3 1993; (M) Jan 3 1993; (A) Jan 3 1993; (B) Jan 3 1993; (C) Jan 3 1993; (E) Jan 3 1993; (F) Jan 3 1993; (G) Jan 3 1993; (H) Jan 3 1993; (I) Jan 3 1993; (J) Jan 3 1993; (K) Jan 3 1993; (L) Jan 3 1993; (M) Jan 3 1993; (N) Jan 3 1993; (O) Jan 3 1993; (P) Jan 3 1993; (Q) Jan 3 1993; (R) Jan 3 1993; (S) Jan 3 1993; (T) Jan 3 1993; (U) Jan 3 1993; (V) Jan 3 1993; (W) Jan 3 1993; (X) Jan 3 1993; (Y) Jan 3 1993; (Z) Jan 3 1993.

Malaysia has been chosen by Mr Alan Butler-Henderson, Asian strategist for ING Barings, as the pick of the region. Mr Butler-Henderson believes that the ringgit, the Malaysian currency, will appreciate significantly during the rest of the year, but that domestic interest rate cuts would lead to an equity rally in the second half of the year. Other recommendations include positive views on Thailand and the Philippines, while underweights Singapore and Indonesia.

UBS Securities has downgraded its recommendation on Brazil to neutral from overweight and raised Argentina to overweight from neutral. The broker says that it has cut Brazil's allocation in its Latin American equities portfolio by 3.6 percentage points to 31.5 per cent. "Mass consumption, the country's main economic driving force, is weakening due to a significant rise in unemployment and lower real wages compared to 1995 levels," the company explains. Argentina's weighting has been raised by 1.4 percentage points to 13.0 per cent, on the basis that the country's economy is showing signs of recovery.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indexes are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries, NewWest Securities Ltd, was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	Figures in parentheses show number of lines of stock	TUESDAY MAY 14 1996					MONDAY MAY 13 1996					DOLLAR INDEX		
		US	Day's Change	Point	Index	% chg	US	Day's Change	Point	Index	% chg	52 week High	52 week Low	
Australia (65)	0.6	204.23	139.80	166.78	173.04	0.3	3.98	207.87	203.38	137.80	195.55	212.18	152.88	173.36
Austria (29)	0.3	180.96	129.88	147.80	147.73	0.5	1.90	184.42	180.58	122.37	147.04	146.96	199.28	158.11
Belgium (27)	0.3	207.55	130.02	165.82	161.74	0.5	4.12	206.92	202.62	137.30	194.98	190.86	215.81	186.06
Brazil (25)	-1.0	186.16	100.84	131.15	121.16	-0.7	2.15	187.78	182.31	109.98	132.15	132.25	123.37	143.38
Canada (30)	0.1	184.22	130.87	131.21	132.29	0.1	2.34	183.76	180.39	130.66	130.57	132.27	134.24	138.41
Denmark (20)	0.4	281.89	195.48	233.21	235.44	-0.3	1.90	282.98	286.80	194.40	233.59	236.06	272.15	272.28
France (67)	0.5	182.78	125.13	149.27	146.77	0.3	2.67	183.31	181.48	122.96	147.75	149.06	278.11	171.70
Germany (63)	0.6	182.24	111.74	133.30	133.30	0.0	3.01	183.05	182.17	109.68	132.03	132.03	174.38	149.49
Hong Kong (29)	0.4	415.55	284.48	339.35	421.89	0.5	3.35	422.20	413.44	280.14	336.62	419.35	431.18	348.81
India (74)	0.3	275.18	186.32	222.28	251.20	0.2	3.31	277.45	271.72	184.11	221.78	249.62	278.62	249.25
Indonesia (44)	0.4	81.87	55.70	66.45	96.89	0.5	2.26	82.88	81.16	54.99	96.26	82.87	67.22	77.36
Japan (481)	-0.3	182.53	104.41	124.56	104.41	0.7	0.73	186.34	183.10	103.76	124.85	103.74	164.69	137.75
Malaysia (107)	-0.5	255.21	202.13	453.46	545.51	-0.1	1.59	256.40	257.54	277.85	454.03	548.09	585.09	425.77
Netherlands (16)	0.0	1279.15	1029.49	856.01	1021.16	0.2	1.36	1283.20	1239.63	838.96	1009.01	1013.42	1311.81	791.99
New Zealand (19)	0.5	282.08	185.96	233.30	228.55	0.8	3.14	290.44	284.41	192.72	221.57	227.22	293.82	237.18
Norway (25)	0.0	248.01	162.70	186.78	193.18	0.1	2.37	244.99	239.86	162.16	195.29	192.29	248.29	218.17
Portugal (26)	-0.6	417.87	287.01	342.29	277.96	-0.5	1.37	413.31	422.25	288.18	343.88	279.22	465.21	365.81
South Africa (40)	0.9	397.96	245.03	282.31	345.88	0.8	2.06	398.96	351.51	239.18	286.20	342.86	437.76	338.81
Spain (29)	-0.3	171.18	117.16	128.77	163.86	0.1	2.27	175.44	171.80	118.41	139.88	169.78	178.58	14